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Political Reform, Establishment of Legal System Discussed

40050083b Beijing GONGREN RIBAO in Chinese
25 Dec 75 p 3

[Article by Wang Xinxin [3769 2946 2450] and Hu Jinguang [5170 6930 0342]: "Political Reform and Establishment of Legal System"]

[Text] For a long time, there has been some biased views on the relationship between political structure and the legal system. Law carries out the state's will and is backed by the use of force. It is of a clearly compulsory nature. It also has relatively standardized regulations of behavior and plays a stabilizing role in social relations. Speaking of the relationship between political structure and legal system, we usually focus our attention on the latter's effects on a reform and its role of compulsory protection. However, if the role of the legal system in political structural reform is explained only in terms of these two functions, our explanation would be superficial and over-simplified. The essence of law has many different facets and levels. The establishment of a legal system is one of the important goals as well as an indispensable means of China's political structural reform. It is highly significant and plays a very important role.

The ultimate goal of political structural reform is to build a socialist political system with a high degree of democracy and a complete set of laws, a system that is effective and full of vitality. To achieve a high degree of democracy, we must give people more political power. During the reform, therefore, the public must be better informed of political issues, the various democratic systems must be improved, and the problem of excessive power concentration must be solved. Some power should be exercised by organizations at the lower levels, others by mass organizations, and still others by the people themselves. Even the exercise of power by the leaders should be strictly supervised and regulated by the people whose rights and freedom must be protected. This redistribution of power will create contradictions and conflicts, since it involves the interests already gained in some quarters. Therefore, the redistribution is usually carried out with a combination of voluntary and compulsory measures, in the course of which law becomes a very important regulating tool. With its open, equal, authoritative, and coercive characteristics, law has become the most effective way to protect democracy. People's democratic rights must be protected with the state's coercive power in the form of law; otherwise, people will not have the means of actual supervision and regulation of the power possessed by the "public servants." In the course of a political structural reform, therefore, we must use a legal system to promote democracy. We must not only strengthen the legislation to protect people's democratic rights but also enable the people and the real representatives of people's will (which should not be represented exclusively by those leaders whose objective social positions are different

from the people's and who belong to different interest groups) to participate in the legislation decisions so as to ensure the democratic nature of law in form as well as in substance. It should be pointed out that the reform of any other aspect of the political structure must serve the interests of the people as masters of their own destiny. Without this prerequisite, the reform will deviate from the socialist direction.

A special characteristic of law is its distinctive standards. Through these standards of human behavior, law not only serves to punish wrongful acts afterwards, but also provides proper guidance in advance. The full use of the guiding role of law is of great significance in reforming the political structure. In economic structural reform, we usually have the objective, but not the specific measures and methods, and need to explore further in practice. That is why there are certain difficulties with legislation in advance. However, political structural reform is different. The report of the 13th Party Congress has clarified not only some specific objectives of the reform, but also the practical measures to attain them. Furthermore, the area affected by the political structural reform is wider than that affected by the economic structural reform, and the contradictions caused are sharper. To reduce social instability and to ensure the smooth progress of reform, therefore, we must clarify what should be started and what should be abolished in the form of law and through a system as much as possible. If we determine the measures of reform through legislation in advance, we will be able to guide its orderly and systematic advance and avoid divorcing ourselves from reality, and over-eagerness for quick success. At the same time, the reform will carry the state's stamp of approval so that any behavior that may jeopardize the reform will become unlawful and punishable by law. This is the best protection for the political structural reform.

The full use of law is itself a reform in democratic political life and in the concept of legal system. When the political structural reform is conducted from the upper to the lower levels, a new legal concept among the leaders, and the affirmation of democracy and the people's rights usually play the key role in the success or failure of the reform measures and of the reform's progress in the direction of its ultimate goal. Therefore, we must on the one hand stress the need for the reformers themselves to update and upgrade their own political qualities, and, on the other hand, set up an adequate legal system to regulate the use of power, and to ensure that the reform will not be abandoned half-way because of any change in leadership or in concept. It will also ensure the establishment of genuine socialist democracy with Chinese characteristics.

**CHIUSHIH NIENTAI Notes Positive CPC
Reaction to Chiang's Death**

*HK040203 Hong Kong CHIUSHIH NIENTAI (THE
NINETIES) in Chinese No 217, 1 Feb 88 pp 34-35*

[Article by Li I [2621 1837]: "CPC Reaction Closely
Linked With Unification"]

[Text] Compared with its reaction to similar events in Taiwan, the CPC's reaction to the death of Chiang Ching-kuo has been the first positive reaction since the founding of the PRC 39 years ago. The CPC Central Committee sent a condolence message to the Taipei KMT Central Committee and general secretary Zhao Ziyang delivered a television speech expressing his profound grief over Chiang Ching-kuo's death. Moreover, honorary chairman Qu Bu, chairman Zhu Xuefan, and vice chairmen Qian Changzhao and Jia Yiran of the KMT Revolutionary Committee in Beijing also sent condolence messages to Madam Chiang Fang-liang and the funeral committee, respectively. Both XINHUA SHE and ZHONGGUO TONGXUN SHE released news of Chiang Ching-kuo's death. In addition to the full-page photographs and reports on Chiang Ching-kuo's life story, Hong Kong's leftwing newspapers also carried editorials and special articles making a final assessment of Chiang Ching-kuo upon his death.

Positive Assessment

In the reaction of the CPC, no criticism was made on the whole life of Chiang Ching-kuo. Instead, the CPC spoke highly of his political achievements in Taiwan, particularly his "inclination toward enlightened reforms" in his later years. The CPC also emphatically affirmed his principle of "insisting on one China, opposing 'Taiwan independence,' and maintaining national unification." Regarding his remarks on "fighting communism and recovering the mainland," "three nos policy," and "rejecting the proposal of 'establishment of trade, transport, and postal relations' offered by Beijing," the CPC believed that "in the face of the unfavorable situation as described by Chiang Ching-kuo himself, such contradictory mentality and speeches are understandable." (WEN WEI PO editorial, 15 January)

The KMT and the Chiangs have been the old enemies of the CPC ever since its founding. They have been its main opponents in the struggle to win state power. The two sides have been hostile to each other for the past 39 years. The CPC has positively assessed the leader of the hostile party simply because Chiang Ching-kuo enjoyed high prestige in Taiwan and because the KMT party members and people loved and respected him. It will be advantageous to winning popular support from Taiwan to make a positive assessment of Chiang Ching-kuo. If the CPC had bitterly attacked Chiang Ching-kuo at the moment, it would have met with strong opposition from the Taiwan people. Viewed from the angle of united front, such reaction from the CPC is quite natural.

Particular attention should be given to the focus and stand adopted in the commentaries and condolence message sent by the CPC over the death of Chiang Ching-kuo.

On the Basis of Party-to-Party Relations

First, the message of condolence, Zhao Ziyang's speech, reports by XINHUA SHE and ZHONGGUO TONGXUN SHE, and commentaries by Hong Kong's leftwing newspapers are all based on party-to-party relations, which do not involve government-to-government relations. Some reports called Chiang Ching-kuo chairman of the KMT, but never mentioned his much more important title of president. The condolence message was sent by the CPC to the KMT and the speech was delivered by the general secretary of the CPC Central Committee. This shows that the CPC is serious about legally constituted authority and that there is no indication of any concession made by the CPC on the unification pattern of "one country, two systems" with Beijing as the central government and the mainland as the main body. Moreover, it also indicates that the CPC intends to promote talks between the two parties to attain the goal of peaceful unification. Although Zhao Ziyang mentioned in his speech that "we wish to discuss state affairs with people from all fields in Taiwan," the main idea is to "promote talks between the KMT and the CPC."

Second, aside from the condolence message sent by the CPC Central Committee to the KMT—which said "We are shocked to learn of the unfortunate death of Mr Chiang Ching-kuo, chairman of the Chinese KMT. We would like to express our deep condolences and sympathy to his relatives" and which did not involve political views—other condolence messages, speeches, and commentaries were all propaganda on peaceful unification and united front. Three out of four paragraphs of the full text of Zhao Ziyang's speech involved unification.

Furthermore, all the speeches and commentaries issued by the CPC involving unification had a keynote: 1) Chiang Ching-kuo insisted on one China and maintained unification before his death; 2) For this reason, we hope that Chiang Ching-kuo's successor, the new leader of the KMT, will also insist on unification and contribute to early unification; and 3) The principle and policy of the CPC on peaceful unification will not change. A person (like the ordinary person on the mainland) who knows nothing about the situation in Taiwan and the genuine proposals of Chiang Ching-kuo may feel strange after reading the speeches, reports, and commentaries of the CPC: Since Chiang Ching-kuo insisted on unification before his death, his successor swore that he would carry on Chiang's will and insist on unification, and the CPC hopes for unification at an early date, what actually are the obstacles to unification? Why has the question remained unsettled for such a long time? Why are there no signs of unification or talks held between the two parties?

All this would be quite natural if one knows Taiwan's situation and Chiang Ching-kuo's consistent proposals very well, because the unification proposed by Chiang Ching-kuo was "unifying China with the Three Principles of the People" and "fighting communism and recovering the mainland." These were clearly stated in his will. Indeed, the speeches, reports, and commentaries of the CPC "sought common ground" but did not "reserve differences" by evading the fundamental premise. The people on the mainland can only see the reaction of the CPC, but they know nothing about the "differences" in unification. It is quite natural that they wonder why China still cannot be reunified.

The Different Meaning of "Not Letting History Down"

Third, in all its reaction, the CPC mentioned the question of "not letting history down," a statement in Chiang Ching-kuo's speech made last May, and linked it with unification, "lifting restrictions on inhabitants visiting their relatives on the mainland," and "the efforts made to relieve tension over the relations between people on both sides of the strait."

However, if the CPC's explanation of Chiang Ching-kuo's statement "I will not let history down" was really correct, China would have been reunified long ago. If you carefully read Chiang Ching-kuo's will, you can see that in less than 200 characters, he mentioned "unifying China with the Three Principles of the People" twice. He made the "policy decision for fighting communism and recovering the mainland" and called for "stepping up recovery of the mainland." He said emphatically that this was the objective "under the guidance of Dr Sun Yat-sen's Three Principles of the People and former President Chiang Kai-shek's instructions." Hence, whether we support "unifying China with the Three Principles of the People" or not and whether the objective of "recovering the mainland" is practical or not, Chiang Ching-kuo's statement "I will not let history down" was inseparable from the "instructions of the former president." His statement "I will not let history down" actually meant his historical mission of "fighting communism and recovering the mainland."

Moreover, apart from "recovering the mainland," which was Chiang Ching-kuo's unrealistic aim, the idea that "you should make efforts to push for greater democracy and constitutional rule" is specific and realistic. If "recovering the mainland" was the vague "ideal" of Chiang Ching-kuo of "not letting history down," then "joining efforts to push for greater democracy and constitutional rule" would be his concrete practice of "not letting history down" in recent years. The Democratic Progressive Party, focusing on this point, issued a statement on the evening of Chiang Ching-kuo's death expecting the authorities to carry on "the late president's aim of 'pushing for greater democracy and constitutional rule.'"

While meeting with Professor Yang Li-yu of the United States' East-West University [sic] on 20 May last year, Li Teng-hui, who was vice president at that time, discussed the Chiang Ching-kuo's basic principles in dealing with state policy decisions (see CHIUSHIH NIENTAI, No 6, 1987), of which the first point was "In all my deeds, I will let history down" and the third point was "Every attempt should be made to establish a system for the long-term stability of the state rather than for temporary convenience."

Viewed from the relations between the first point and the third point and from Chiang Ching-kuo's recent efforts to push for greater democracy and constitutional rule, we can see that Chiang Ching-kuo intended to establish a democratic system characterized by long-term stability in Taiwan in order to produce an impact on mainland China. This was what he meant by "not letting history down" which is apparently different from the explanations made by the CPC after his death. It is unlikely that Chiang Ching-kuo attempted to "live up to the expectations of history" by accepting the unification pattern of "one country, two systems" offered by the CPC.

Secret Worries Over Taiwan Independence

Fourth, we can see the secret worries over "Taiwan independence" from the reaction of the CPC. All the reports, speeches, and commentaries mentioned that Chiang Ching-kuo "resolutely resisted and opposed 'Taiwan independence'" and that he "expected" his successor to "guard against foreign politicians backing the separatist activities of Taiwan independence." This shows that Beijing is worried that Taiwan will gradually take the road opposite to mainland China when the veteran KMT members whom they fought hand to hand for a long time will pass away one after another and particularly when a Taiwanese assumes presidency after Chiang Ching-kuo's death.

The KMT members of the older generations, the Chiangs in particular, are old enemies of the CPC. However, they understand each other very well and know that both sides want to fight for the throne. The game cannot come to an end unless the old scores are settled. However, both Liao Chengzhi, who wrote the letter saying "our brotherly relations remain though we experienced calamities; let us forget about the enmity on the day we meet each other," and Chiang Ching-kuo, who received it, have passed away. As the leaders of a new generation in Taiwan did not contract enmity with the CPC, they do not want to get anything from the CPC or draw any conclusion. They want to "live up to the expectations of history," that is, push for greater democracy and institutional rule in Taiwan and implement "Taiwan people ruling Taiwan with democracy." The CPC is not familiar with these leaders nor does it have any friendly relations with the latter. As a result, the CPC

is worried that the development of "Taiwan people ruling Taiwan with democracy" will tend to "independence" and result in Taiwan being separated from the mainland.

Viewed from the angle of the Taiwan people, the CPC can only discuss the question of unification with the Taiwan people on a realistic basis of recognizing "Taiwan people ruling Taiwan with democracy." The current situation is: On the one hand, the CPC has rejected "Taiwan people ruling Taiwan"; and on the other hand, the CPC has indicated that it cannot accept the Hong Kong government elected democratically in the course of the drafting of the Basic Law. The CPC wants "unification," that is, under the administration of the Beijing central government. In this way, Taiwan's democratic development pioneered by Chiang Ching-kuo will inevitably run counter to the CPC's unification.

Lastly, the CPC mentioned in its reaction the "sincere hope to see stability and social tranquility, as well as the continued economic growth and happiness of the people in Taiwan." These remarks, whether "sincere" or not, may probably be accepted by the government and people in Taiwan and the Chinese abroad.

Text of Bai Hua's 26 November 1987 Hong Kong Speech

40050081 Hong Kong TUNG HSIANG [TREND] in Chinese Nos 45 and 46, Dec 87 and Jan 88

[Article: "Bai Hua Speaks His Mind in Hong Kong—Full Text of Speech Given at the Chinese University of Hong Kong Entitled 'The Loss and Recovery of Contemporary Chinese Literature'"]

[No 45, Dec 87 pp 51-57]

[Text] Editor's note: Noted author Mr Bai Hua arrived in Hong Kong in late November 1987 to lecture at the invitation of the Chinese Department of the Chinese University of Hong Kong. On 26 November, Mr Bai Hua made a speech to the Chinese Department entitled "The Loss and Recovery of Contemporary Chinese Literature," the complete text of which runs to more than 20,000 characters. When Hong Kong *Wen Wei Po* published the speech, some important passages were omitted. We will publish the complete text (taken from a recording) in two parts. Passages omitted by *Wen Wei Po* appear in italics.

The Chinese Communists have ruled the mainland for 38 years, but why no great literature has been published is a serious question that frequently arises. Mr Bai Hua's full discussion of the reasons for this in this speech is startling. The titles and subtitles in this article have been added by the editor. [end Editor's note]

Chinese literature has historically striven to "use literature to convey ethics," has striven to unify accepted codes, has striven for educational significance, and has

striven for the proper. It is because the definition of proper changes as the times change and with people that this properness is unreliable or not long enduring. Consequently, history has eliminated mountains of literary works. Comparatively speaking, the literary works that have passed on to succeeding generations have been miniscule in number. The favored Chinese people are a people who have suffered many catastrophes and hardships. Many of the works that have been handed down from ancient times are about the Chinese people's resistance and laments. This is because sincere grief holds permanent attraction. Furthermore, since the literary figures in Chinese history were unable to escape from the fetters of traditional culture, and because rulers have historically paid close attention to culture, the number who have brought calamity upon themselves as a result of what they wrote is incalculable. The splendid cultural bequest that we carry on is not entirely worthy of the history of this great people. We should have attained more. We have never had a "Renaissance," and people and literature that are slightly individualistic cannot be tolerated nowadays.

China Was in a Perilous Time at the Beginning of This Century and Those Holding Lofty Ideals Used Literature and Art As Weapons; Lu Xun Devoted His Whole Life to Issuing and Accepting Challenges; He Could Not Just Bury His Head and Create Monumental Works To Arouse Sympathy

Modern China was in perilous times at the beginning of this century. Many who held lofty ideals used literature and art as weapons, as a banner, and as a cry to awaken the people. They did not care about exposing themselves to danger, so why not write articles! And why not live in an ivory tower of idealism! This was entirely necessary! Mr Lu Xun was a most typical example. He devoted his entire life to issuing and accepting challenges, to crying out, to calling for help, to protesting, to acting angrily... He could not just cover his ears and not listen to the wails of the people mired in extreme misery, and bury his head in creating monumental works. This is the reason that we revere and have some sympathy for him and for the revolutionary writers who lived in the same era. It was on 2 March 1930 that Chinese writers and artists, acting under influence of the Soviet Russian "Puluo" [2528 5012] literature and art, founded the Chinese League of Leftist Writers and organized countless literary and artistic mass organizations. They explicitly stated that the Chinese League of Leftist Writers "stood on the battle line for liberation of the proletariat," and they set their battle mission. This was an alliance of oppressed progressive writers and artists. The Chinese League of Leftist Writers published many publications devoted to literature and art, created numerous revolutionary plays, and introduced many progressive works from abroad. Immediately and inevitably, it became a target for attack from the reactionary forces of the time, and it became a political mass organization in reality. It should be said that the imperative of "service to politics" was annunciated at that time. In 1930, playwright Tian Han [3944 3352] published a long article

entitled "Our Self-Criticism," in which he acknowledged that he himself had "more enthusiasm than good judgment, and more romantic tendencies than good sense." In May of that same year, novelist Mao Dun [5403 4163] published a full length novel entitled "Corrosion" (in three parts) in which he admitted that "when I wrote this three-part novel, I was pessimistic and hopeless. This is the main reason why no characters who can be regarded as positive appeared in this novel." Clearly, the "positive character" and "negative character" formulation did not just appear in our time. In 1931, leftist authors were murdered one after another. Examples included Rou Shi [2677 4258], Hu Yepin [5170 0048 7340], and Yin Fu [3009 1133]. By early 1936, a war of slogans occurred, with Zhou Yang [0719 2254] proposing the slogan "national defense literature," and Mr Lu Xun proposing the slogan "mass literature for the national revolutionary war." The slogan controversy led to a split for a time among literary and art circles. On 19 October, Mr Lu Xun passed away. All of China's nationalities entered the great era of the war of resistance and national salvation, and naturally literature and art could not be an exception.

On 1 October 1938, the Lu Xun Institute of the Arts was founded in Yanan, and Chairman Mao Zedong's dedication was "the realism of resistance to Japan and the romanticism of the revolution." As far as public feeling was concerned, who could forget the reality of resistance to Japan? And who did not approve of the romanticism of the revolution? In the same year, Mr Liang Shiqiu [2733 1395 4428] proposed that literature and art should be "unrelated to the war of resistance," and he put forth the idea that war of resistance literature was "war of resistance stereotyped writing," "formularized" and "formatted." Such a view was clearly not in keeping with the times and was bound to come under a great deal of counterattack. This was not only an issue about literature and art, but also an issue of the attitude toward saving the nation from extinction. Numerous writers including Guo Moruo [6753 3106 5387] and Chang Tianyi [1728 1131 5065] refuted Mr Liang Shiqiu's point of view. The literary creations of the war of resistance to Japan must be said to have been splendid achievements that played a very great role in mobilizing the people and in imparting knowledge to them. The peasants in distant Sichuan Province and the impoverished northwestern part of China could understand stage plays.

Mao Zedong's Speech at Yanan Set the Line for Literature and Art To Serve Politics; The "Subjective Power" Created by Literature and Art Espoused by Hu Feng [5170 7364] and Shu Wu [5289 5617] Sustained Criticism

In May 1942, Mao Zedong made a major speech at the Lu Xun Academy of the Arts in Yanan in which he proposed and formulated a line for literature and art. He proceeded from why literature and art should serve people, and he spoke about many issues including the correlation between literature and art and politics, the

correlation between the origins and flow of literature and art, the correlation between its spread and enhancement, the standards for criticism of art and literature, and a united front of literary and art circles. Since Chairman Mao Zedong was a statesman, he naturally required that literature and art be subordinate to politics, and the highest politics at that time was the overthrow of Japanese imperialism. This was also the desire of all Chinese who did not want to be traitors or slaves of a foreign country. Moreover, historically all Chinese statesmen have equated literature and art with political propaganda. From then on up until the conclusion of the war of liberation in 1949, in both areas controlled by the Kuomintang and in liberated areas, literature was closely affiliated with the task of the times. One matter was the point of view expressed by Hu Feng and Shu Wu that was the most prominent theoretical controversy in 1945. They had put forth "strengthening of the subjective power" of literary and artistic creation. They believed that the creative process in literature and art was one in which writers subjectivity "surged into" objective reality, and began to "carry out" a self-expansion through flesh and blood real life struggle, ultimately "overcoming" and "giving expression to" objective reality. They put forward the idea that subjective strength is the "fountainhead of creativity in art and literature." Certainly this was not synonymous with "Talk" [Mao Zedong's "Talk at the Yanan Forum on Literature and Art"]. It was criticized on the grounds that they had removed scientific Marxist theory about class struggle. The views of Hu Feng were no longer and could no longer be discussed dispassionately. In fact, criticism of literature and art at that time was quickly elevated to the plane of the political character of two classes.

Criticism of "Inside Story of the Qing Palace" Reflected a Split Among the CPC Leadership, Which Created a Precedent Whereby Literature and Art Could Ignite a Political Campaign.

In January 1950, the controversy about literature began. From the beginning, this controversy focused on A Long [7093 8263] in the Hu Feng faction. Chen Yong [7115 8673] wrote an article criticizing his theory that seemed to oppose art for art's sake and formulaism, but that actually opposed the arts serving politics. In March an event took place that not many people knew about at the time. The showing of a Hong Kong film, "Inside Story of the Qing Palace," was halted. The background to this was that one leader said that it was patriotic, while another leader believed that it was really traitorous. This was the first time that views of the same artistic work reflected a split in the Party leadership. The split did not, in fact, have anything to do with artistic discussion; however, this created a very bad precedent, namely that the likes and dislikes of anyone for a work could become a political issue. Literature and art could ignite a political campaign.

Criticism of "Wuxun" Was a Large-Scale Campaign in the Field of Literature and Art Following Founding of the People's Republic; Mao Zedong's Words of Criticism Startled People in Literary and Art Circles

In April 1951, criticism of the movie "Wuxun" began, and it became a major campaign in literature and art following the founding of the People's Republic. However, those attacked by this campaign were only writers and directors, and the main actors and actresses. An editorial in RENMIN RIBAO on 20 May noted sternly that "the issues raised by 'Wuxun' are of a fundamental character. A man like Wuxun, who lived in the great age of struggle at the end of the Qing dynasty when the Chinese people were opposing foreign aggressors and opposing reactionary and feudal rulers within the country, never touched a hair of the feudal economic foundation and its superstructure. On the contrary, he fanatically propagandized feudal culture, and in order to gain a position for propagandizing feudal culture that he did not himself possess, he stopped at nothing in being servile toward the reactionary, feudal rulers. Is such despicable conduct what we should extol, or even use the collapse of the revolutionary peasants struggle as a foil for extolling it? Is this something that we should accept? To admit or to tolerate such praise is to admit or tolerate the defamation of the peasants' revolutionary struggle, to defame Chinese history, and to defame the Chinese people by regarding reactionary propaganda as correct propaganda." The editorial went on to say, "that so much praise has been accorded Wuxun and the film 'Wuxun' shows how confused the thinking of the country's cultural circles is!" This demonstrates that "is it not a fact that bourgeois ideology has invaded the militant Communist Party?" Whence has fled the Marxism that some members of the Communist Party have professed to have learned? The criticism of the film "Wuxun" greatly startled many in literary and artistic circles, and they gradually came to understand many issues that they had not understood as follows:

1. If you write it into an artistic work, you are praising it.
2. Do not permit historical figures to be limited by history.
3. To like artistic works that should not be liked is to "capitulate to reactionary ideology." This is also a warning to the audience.
4. Failure to be careful about characterizations is to defame the revolution, to defame Chinese history, and to defame the Chinese people. (The word defame is offensive.)
5. The words and actions of the characters in a play are the words and actions of the author. Wuxun repudiates class struggle and capitulates to feudal rulers. The playwright-director is Wuxun. Jiang Qing went to Wuxun's home village in Shandong Province to make a study, after which she published "An Account of the Study of the History of Wuxun." It seems that this is the history and the crime of the playwright and director.
6. Not only should "negative characters" not be praised, but they may not be the central characters in a work.

7. When writing about a historical character, it is necessary to conduct a study of the historical character's history and class origins, and they must be unadulterated.

The Literature and Art Rectification Campaign Made Writers Note That: The PLA Is Sacred, and Its Shortcomings Could Not Be Written About; One Could Not Write About the Life of a Legally Married Man and Wife, Much Less Write About Conjugal Love

The criticism of the film "Wuxun" began a literature and art rectification campaign among literature and art circles and among intellectual circles in November. At the same time, the novel by Bi Ye [4310 6851] describing the PLA, "Our Strength Is Invincible," was also criticized. "Between Us, Man and Wife," and "Beside the Hai He," novels by Xiao Yemu [5618 0048 3668] were also criticized. Criticism of these works made writers draw the following lessons: descriptions of the PLA could not touch on shortcomings and individual personalities; the PLA is sacred, and synonymous with steel. In fact, the age of deified heroes had been entered. Neither could what went on between a legally married man and wife be described; one could talk about the revolution, work, ideological study, and mutual criticism between man and wife to help each other, but one could not portray emotional pleasures, grief, and hurt. So much less could one describe extramarital love.

Discussion of "Dream of the Red Chamber" Set Off a Full Criticism of Hu Feng, Who Was Designated an Oppressor of Counterrevolutionary Groups; Henceforth, the Intellectuals Could Only Learn But Not Question

The discussion of "The Dream of the Red Chamber" in 1954 led to yet another round of all out criticism of Hu Feng and Hu Shi [5170 6624], including their philosophical thinking, political ideology, historical viewpoint, literary thinking, their view of the history of philosophy, and their view of the history of literature. These long-enduring extreme criticisms made writers, particularly old writers, not dare write without thinking carefully because of a lack of self-confidence. They truly believed that any feelings that came off the tips of their pens were bourgeois idealistic poison.

In 1955, for the first time a literary group was suppressed for being a counterrevolutionary clique. Between 3 and 10 May, RENMIN RIBAO published a series of three articles entitled "Material About the Hu Feng Counterrevolutionary Clique." Chairman Mao Zedong wrote an extraordinarily stern foreword and editor's comment to these materials, and he personally made a determination about both this group and every individual in it. Next, a campaign to purge counterrevolutionaries was launched. *Anyone who was a casual acquaintance of Hu Feng, or who was not a casual acquaintance but who had corresponded with him or agreed with any of his views, was imprisoned or sent to labor reform as a member of the Hu Feng clique. The direct effect of this campaign was that intellectuals no longer dared to associate with each other,*

did not dare to have a common outlook on literature and art, and did not dare to explore issues. They could learn but not question. Since the crime of some members of the Hu Feng faction was simply "close association," what was meant by "association," and how much association became close? There were no standards. Inasmuch as their actions and associations had all been taken from their diaries, showing that a diary could lead to disaster, many people no longer kept diaries. From this time forward, literature and art, and even writing, became fearsome things.

On 2 February of the same year, the "Ding and Chen Affair" occurred, with Ding Ling [0002 3781] and Chen Qixia [7115 0120 7209] coming under criticism. The crime of which Ding Ling was accused was "one book-ism," wherein in a speech, Ding Ling once exhorted young writers to have one representative work.

Zhou Enlai Affirmed the Role of Intellectuals, and Lu Dingyi Likewise Unleashed Literary and Art Circles; Not Long Afterward, Qin Zhaoyang [4440 0340 7122] Came Under Criticism Followed Closely by the Outbreak of a Major Storm

By 1956, as a result of Premier Zhou Enlai's having affirmed the role of intellectuals in a report he gave at a conference on the intellectuals issue held from 14 through 20 January, the atmosphere had become calmer. He said, "Simultaneous with unifying, educating, and reforming old intellectuals, the Party has devoted very large forces to bring along large numbers of new intellectuals, a substantial number of whom are intellectuals from the working class. Thanks to these efforts, the look of the country's intellectuals has undergone fundamental change during the past 6 years." "They are a great force in socialist construction."

During the second half of March, another national young people's literary creative work conference was held. At the end of May, Lu Dingyi made a report to literary and artistic circles in which he noted that "the Party has never placed any limitations on themes allowing only writing about workers, soldiers and peasants, or about the new society, or about new personages, etc. Such restrictions are wrong. Since literature and art have to serve the workers, soldiers, and peasants, naturally it is necessary to extol the new society and positive persons, to extol progress, and to criticize backwardness at the same time. Therefore, literature and artistic themes ought to be extraordinarily broad. The things that appear in literary works may be not only things that exist in the world or that have existed in history, but may also be things that do not exist such as celestial beings, talking animals, etc. Literary and artistic works may pertain to positive personalities and the new society, or they may pertain to negative personalities and the old society; moreover, without an old society, it would be very difficult to have a foil for the new society; without negative personalities, it would be very difficult to have

foils for positive personalities. Obviously, this is speaking about literature and art from the political angle; it is not talking about the laws of esthetics and of literature and art. It is only expressing several things that may be done and that may also be done. This put literary and artistic circles at ease. WENYI BAO very quickly forgot the lessons of the suppression of the Hu Feng faction and ran a column entitled "How To Use the Weapon of Satire." Academic circles launched a discussion of the esthetics issue, and the national playwrights' work conference raised the subject of "doing away with restrictions and fetters." Zhou Yang [0719 2254] noted "a need for active establishment of an atmosphere of free creation of art, and resolute opposition to a subjective and bureaucratic style with regard to traditional opera and the arts. A person in a position of authority in the Ministry of Culture said that "there should be no one-sided and mechanical requirement for a direct 'educational function' and a 'supporting role' for theatrical programs."

In November, the Shanghai Wen Hui Bao launched a discussion of "Why Is It That a Fine Country Produces So Few Films?" Zhong Dianfei [6988 1855 2787] wrote an article for Wenyi Bao under the byline, "Commentator," and entitled "Cinema Gong and Drum" that began to talk again of "Let a Hundred Flowers Blossom; Let a Hundred Schools of Thought Contend." However, by December, some periodicals had begun to criticize Qin Zhaoyang's article entitled "Realism—A Broad Avenue." The essence of Qin Zhaoyang's article was that it acknowledged only the need to approximate life. But his realism did not wear a "revolutionary" hat, nor was it linked to revolutionary romanticism. However, in an overall sense, very few people at the time sensed the rising winds that presaged a storm, or that a major storm would take place very shortly.

Following the "Anti-Rightist Campaign" Large Numbers of Intellectuals Were Banished to the Northeastern Wilderness; Writers Who Were Not "Enemies" Launched Literary and Artistic "Satellites;" Grain Yields of 20,000 Jin Per Mu Were Propagandized

On 7 January 1957, Renmin Ribao published an article that had been co-authored by four administrative cadres for literature and the arts in the armed forces entitled "Several Views on Current Literary and Artistic Work" that took exception to the "Hundred Flowers, Hundred Schools of Thought" policy. Among these four military men were two on whom Jiang Qing relied closely during the Cultural Revolution, namely Chen Qitong [7115 0366 6639] and Chen Yading [7115 0068 0002], plus Ma Hanbing [7456 1383 0393] and Lu Qin [7627 0530]. They applied a super-revolutionary point of view to express apprehensions about the least little loosening up at the time. On 10 March, Chairman Mao Zedong criticized by name the ultra-leftist point of view of this article. In replying to a correspondent's question in April, Zhou Yang expressed the view that though the "Hundred Flowers, Hundred Schools of Thought" policy had been in

effect for less than one year, people in the sciences and the arts exhibited vitality and vigor, had further proposed administrative orders opposing dogmatism and bureaucratism, had devoted serious attention to independent thinking, to not having blind faith, and to not following along blindly. They should have courage about theory and courage about creativity. They should improve Party leadership of scientific and artistic work. Leaders should learn how to understand the laws of science and the arts. All newspapers published large numbers of articles touting the "Hundred Flowers, Hundred Schools of Thought" policy. It was all spring breezes and genial weather. Every jurisdiction held meetings for blooming and contending to help the Party rectification. On 15 May, Chairman Mao Zedong's article entitled "The Situation Is Changing" was issued as a document. On 8 June, Chairman Mao Zedong drafted an article titled, "Organize Forces To Oppose the Savage Attacks of Rightist Elements." This was followed by large-scale editorial criticism by all newspapers of bourgeois rightist elements. On 25 occasions between 6 June and 25 September, the Chinese Writers Association criticized the so-called "Ding-Chen Anti-Party Clique" headed by Ding Ling and Chen Qixia. The criticism did not end until 17 September. The anti-rightist campaign made large numbers of writers and artists enemies of the revolution. Some had said only a single sentence; some had merely repeated a sentence of a certain leader prior to May; some had said only a single sentence opposing bureaucratism; and some had merely praised a single foreign literary or artistic work. The number of those who had been condemned for their own literary or artistic works was even greater. Most of the rightist elements were sent to the coldest parts of northeastern or northwestern China for forced labor. In 1959, the criticism campaign continued. On 26 January, Wenyi Bao conducted anew a criticism of an article that Ding Ling, Wang Shiwei [3769 1395 0724], Xiao Jun [5618 6511], Luo Feng [5012 3536] and Ai Qing [5337 7230] had written in Yanan in 1942. In March, the Chinese Writers Association issued the call: Writers! Leap forward; make a great leap forward! Reap a bumper harvest of realizing socialist literature within 3 to 5 years. China's intellectuals found it hard to remember the scars from suffering that had befallen others. Numerous writers hurried all around to propagandize grain yields of 20,000 jin per mu. Though the criticism had not stopped, a steady stream of writers was driven into the ranks of labor reform. Literature and the arts had to launch satellites too. Whether out of sincerity or to show revolutionary ardor in order to protect themselves, many writers proposed reducing the already very low remuneration paid for manuscripts. Discussion was intense about ways to link revolutionary reality with revolutionary romanticism. On 6 October, the Shanghai *Xinmin Wanbao* published a revolutionary article that caused a sensation entitled "Tolstoy Was Useless" that left people dumbstruck. They not only did not know how to write, but they also didn't know what was needed beyond revolutionary slogans.

The Lushan Conference Criticized Peng Dehuai for Not Being Leftist Enough; Ba Ren [1572 0086] and Others Came Under Criticism Too for 'Humanitarianism' and 'Theories on Human Nature'; Hai Mo [3189 7817] Persecuted To Death

The Lushan Conference in August 1959 criticized Peng Dehuai, setting off an anti-rightist campaign throughout the nation. Not only was the damage done to the national livelihood by the Great Leap Forward after 1958 not corrected; on the contrary, the idea of insufficient leftism obliterated the speech that Zhou Enlai had made to literary and artistic workers in May. On 11 January 1960, an article written by Li Helin [2621 0149 2651] titled, "A Small Question About Literary Theory and Criticism During the Past 10 Years" was criticized. It had maintained that "ideological content and artistic content are synonymous; the level of ideological content being determined by how well the work 'is true to life' and whether it 'is true to life' is the same as the level of its artistic quality." Certainly, this was a big problem! This was considered to be a problem of a fundamental nature, and it was considered that he had preached the view that "art is reality." On 26 January, the criticism began against Ba Ren, Qian Gurong [6929 6253 5816], and Jiang Kongyang [5592 1313 7122] for "humanitarianism" and "theories about human nature." Criticism of humanitarianism and theories of human nature had been going on for a long time, yet some people still talked about this issue. Clearly this issue was quite important. On 9 January, criticism of Hai Mo's film script, "Playing the Bamboo Recorder Like a Transverse Flute" on grounds he had written about opposing a superior, the superior being only a county level cadre. During the Cultural Revolution, Hai Mo was beaten to death for this in a filming shed at Beiyang. When he was found, his body had already decomposed. From January through November, theatrical circles criticized Zhang Geng [1728 1649] for an article he had written about "affinity for the people" in the legacy of traditional Chinese opera, accusing him of revisionist thinking. In February, another criticism, this one against Yu Hei [0060 7815], got underway for having published an article maintaining that for writers to describe contradictions among the people is not only "difficult," but is also oppressive and produces a "sense of dread," mostly because in literary and artistic circles there exists the "theory of non-conflict" and "a certain dogmatic and formulaized criticism." Naturally, this was intolerable. By 1959, China had already entered the stage of communism, so what contradictions among the people could exist? There were only distinctions between good and better. Such criticism made it impossible for literary and artistic works to describe real life in realistic or slightly realistic terms. Obviously, when literature and art departed slightly from reality, it would be slightly less attractive in direct proportion.

Proneness to Boasting and Exaggeration During the "Great Leap Forward" Had Scuttled the Intellectuals' Consciousness; Reliance on False Reason Lent Support to Making a Sham of Both Objectivity and Subjectivity

As a result of the proneness to boasting and exaggeration during the Great Leap Forward, life at the time was not without clashes, and some clashes were sharp in the

extreme. The entire nation had been destroyed by lies, so would it be able to survive by traveling in the direction of grim truth? Would everyone seek survival amidst the lies or would they travel to extinction while traveling toward truth? Of course, at that time rational knowledge had been scuttled for writers as well as for all Chinese intellectuals alike; however, everyone's reliance on false reason lent support to making objectivity and subjectivity a sham! *The China of that era was a most formidably sealed off country. It had constructed its own universe in which each individual might make anything plausible at any time. So long as one could say that all was satisfactory, the world seemed satisfactory. There was no outside world that could serve for comparison. The people inside China maintained a kind of smugness and a sense of pride in being the most revolutionary and the most advanced. Lies had created disaster resulting in millions of people falling over and dying from starvation, but the blame was put on heaven, the situation being termed a natural disaster. People never thought that once China had entered the stage of communism they would have to fear natural disasters, because communism meant an age of from each according to his ability and to each according to his needs, and an extremely plentiful age in which everything would be available without end and could be used without exhaustion! It even went so far that when doctors encountered a case of death by starvation, they did not dare make this diagnosis but rather could say only that the cause of death was unknown. I worked as a fitter in a factory in the suburbs of Shanghai at that time. I had no civil rights, and I was not permitted to speak or act rashly; I was permitted only to work. I noticed that some of the workers' relatives came from the villages to get the chaff and husks used for stuffing for pillows, i.e. the rice husks. They took home the rice husks from previous years and ground it up to satisfy their hunger. But no one dared discuss this matter. The anti-rightist campaign of 1957 completely blocked the road to truth. A young worker who slept on the bunk above mine was a fellow villager from Xinyang Prefecture in Henan Province. An event about which everyone knew had taken place in Xinyang, namely that lies had turned into disaster, the people in village after village dying of starvation. When this young worker returned from a visit to his parents, he and I were alone in the dormitory that day. He delivered a monologue because I was a rightist without the right to reply, and I should not even have been listening. He said, "I just came back from our native village... Everyone in my family has starved to death, ... only my aunt remains. Her son died, too... How can she go on living?... In the middle of one night, a pig so starved that it was nothing but skin and bones rushed into her courtyard. She shut the door at once. Then she beat the hunger-dazed pig to death. She skinned the pig during the night and buried it. She got up in the middle of each night, dug up the pig and cooked a piece of it to eat. She did not give any of it to her 5-year-old son to eat for fear that he would talk about it. Once they found out, those who were still alive in the village would come rushing in and threaten to kill her. They would beat her to get her to bring out the pig. He looked at her son crying that he was hungry! Mama, I'm*

hungry! Mama! This went on until he died... People have become so hardhearted, but what could she do! This is all she could do! Did you hear me?"

I said, "I didn't hear; I didn't hear anything..." This is the only sentence I spoke at that time, and it was the sentence that I had to say.

The "The Dismissal of Hai Rui" by Wu Han Became a Time Bomb That Led to His Violent Death; Cao Yu's "Valorous Sword" Is a Representative Work That "Weeds Through the Old To Bring Forth the New," and "Makes the Past Serve the Present"

It was at this time that the Third National Congress on Literature and the Arts was convened in Beijing. Much of the outstanding talent of the literary and art world was in the great barren wasteland of northeastern China felling trees, in the barren mountains of northwestern China building reservoirs, or in jail confessing their guilt. At the national literature and art workers conference in May, the Minister of Culture, Mr Mao Dun, gave a speech entitled "Uninterrupted Revolution To Win Sustained Leaps Forward in Culture and the Arts." (This had clearly been drafted for him by someone else.) In September, criticism was carried out against the innovative thinking of choreographer Wu Xiaobang [0702 2556 6721]. At the end of the year, historians were called upon to write a historical drama. In January 1961, Wu Han's historical drama, "The Dismissal of Hai Rui" was published in the monthly "Beijing Literature and Art." This play became a time bomb that led to his own violent death. The explosion of this bomb marked the beginning of the 10-year-long Cultural Revolution. On 31 January, the Shanghai Wen Hui Bao began a discussion of tragic drama. What is a tragedy? Does socialist society have tragedies? What of the leading role and the theme for tragedies? Can contradictions among the people produce tragedies? What are the characteristics of tragedies in the socialist era? This discussion caused people a lot of distress at the time. At the same time, this newspaper also discussed comedies, and Mr Lao She also wrote an article. Gu Chongyi [7357 1814 1744] maintained that laudatory comedies could be written and that laudatory comic "clashes in plays are mostly built on coincidence and founded on misunderstandings." This discussion smacked of satire. Next there was a discussion about whether poetry and painting on the themes of scenery, flowers, and birds had a class nature. In June, a literature and art work forum was held at the Xinqiao Hotel. Zhou Yang realized that to go on this way meant the end of the road for literature and art, but how could he explain the correlation between literature and art and politics? He had the audacity at the time to say boldly that "when politics takes command, there cannot be too much politics. If there is too much, politics will be weakened and politics will not be the commander but will become a soldier. Politics is the soul, and the soul inhabits a body of flesh. Work and art are the body; without the body the soul has no place to repose, and where it is no one will know." He felt that work and art no longer existed in order to be able to say this. He also said boldly, "Our corps

of writers and artists is a beloved corps;" "it is one with the Party." In June, Kang Sheng made an astonishing speech at Ziguang Ge in which he maintained that the Beijing operas "Constant Quarrels," "Baochan Offers Wine," and "Rouge Tiger" could all be presented, and that "Hua Tian Cuo" could be presented in its original form. He said, "I'll cancel the Party membership of whoever wants Ma Lianliang [7456 6647 5328] to stage a modern play." What a difference there was between the Kang Sheng who made the speech on this occasion and the one who was in cahoots with Jiang Qing 5 years later! Those in authority did not have to apologize for what they said or could do just the opposite of what they had said without being held accountable. But if an intellectual uttered a single sentence, he could be crucified for life.

In July, the play "Valorous Sword" that Cao Yu and others had jointly written was published and performed. This was a genuine representative work of writers "weeding through the old to bring forth the new," and "making the past serve the present." It equated the undergoing of self-imposed hardships so as to strengthen resolve to wipe out the national humiliation of the Korean War with the current slogan of "rise with great vigor to become strong," thereby showing the very strong adaptability of artists.

Zhou Enlai and Chen Yi Propose Removing the Stigma of Bourgeois Intellectuals; Mao Zedong Propounds "Never Forget Class Struggle," Dashing the Words of Zhou and Chen

During the first half of 1962 at conferences of playwrights held in Beijing and Guangzhou, Zhou Enlai and Chen Yi spoke again about intellectuals, about carrying forward democracy, about how writers should have democratic rights, about writing tragedies, and the need to remove the stigma of referring to bourgeois intellectuals... Once again, they reversed the verdict on some theatrical programs.

In August, the Chinese Writers Association convened a meeting on the theme of rural villages at Dalian at which Shao Quanlin [0605 5425 7792] suggested that when depicting heroic characters, one should also pay close attention to depicting supporting characters. This speech also became a cause for the violent death of Shao Quanlin during the Cultural Revolution. In August, release of forty feature films that publicized the proneness to boasting and exaggeration and the premature transition to communism was halted. This showed that movie producers followed the turn of events very closely, shooting so many films playing up the Great Leap Forward. One could tell from the titles what these films were about: "You Chase and I Catch Up," "Steel Flowers Are Blooming Everywhere," "Poetry Contest Pavilion," "Whipping the Fast Horse," "The Great Competition Along Both Banks of the Same River," "Catch Up With England," etc. During September of this year, Chairman Mao Zedong said: "Never forget class struggle.... Whenever a policy is to be overturned, public

opinion has to be created, and work always has to be done in the realm of ideology. This is true for the revolutionary class and for the counterrevolutionary class as well." This tightened up once again the atmosphere for intellectuals that the speeches of Zhou Enlai and Chen Yi had slightly loosened.

Ke Qingshi [2688 1987 2457] Comes Forth With "13 Years of Writing;" Yao Wenyuan Begins Criticism of De Biaoxi's [1795 1753 6007] Music; Mao Zedong Hands Down Another Imperial Edict Negating Zhou Enlai's Appraisal of the Intellectuals

One the first day of 1963, Shanghai's Ke Qingshi spoke about "13 years of writing." He said, "The old society could only train people in a selfish, self-interested ideology of looking after themselves. Socialist and collectivist ideology could only begin to be established after the socialist revolution succeeded." This means a shortening of the period for the creation of literary and artistic works to the 13 years between 1949 and 1962. This is a very preposterous requirement, and it poses an extremely sacred and solemn summons for the present. At a meeting at the Xinqiao Hotel during April, Zhou Yang, Lin Mouhan [2651 7817 3211] and Shao Quanlin maintained that "13 years of writing" was one-sided. At the meeting, Zhang Chunqiao sought to defend Ke Qingshi, noting 13 major good points about the 13 years of writing thesis. In May, the specter of Jiang Qing began to move in literary and artistic circles with criticism of sinister plays, and a punitive expedition against the Kunqu opera, "Li Hui Niang." In Shanghai, Yao Wenyuan began criticism of De Biaoxi and brought in people in De Biaoxi's music circle. On 12 December, Chairman Mao Zedong handed down an unprecedentedly severe commentary that said, "In all artistic forms—drama, folk art, music, painting, dancing, cinema, poetry, literature, etc.—there are quite a few problems and very many people involved. As of now, results have been miniscule from socialist reform in numerous sectors. At the present time, 'dead people' are still ruling many sectors." "Numerous Communist Party members enthusiastically advocate feudal and bourgeois art, and do not enthusiastically advocate socialist art. What a monstrous absurdity." This commentary clearly overturned at once Zhou Yang's view that "our corps is a beloved corps that is one with the party," and it also negated the 1962 speeches of Zhou Enlai and Chen Yi. "Many problems and many people involved" meant that the stigma of bourgeois intellectuals could not be removed. How could these corps be beloved? At the end of 1963, a modern drama was performed in Shanghai before fellow artists for the purpose of discussion and emulation at which Ke Qingshi boldly and assuredly talked volubly about his "13 years of writing" thesis. The Anhui modern drama, "Treachery" that had been performed was termed a poisonous weed.

In 1964 Jiang Qing Leaped to the Stage To Work With Kang Sheng in an Attack on All of the Operatic Stage as "Freaks and Monsters"; Many Films, Including "The Second Month Early in the New Year," Were Criticized; With This, Chinese Literature Was Completely Lost

In July 1964, a performance of national Beijing opera was given before fellow artists for the purpose of discussion and emulation. Jiang Qing leaped from backstage to stage

front, joining with Kang Sheng to damn the operatic stage as "freaks and monsters" that sabotaged the economic foundations of socialism. At this meeting she termed several films poisonous weeds, including, "The Second Month Early in the New Year," "Stage Sisters," "The Northern Part of the Country and South of the Chang Jiang," "Against the Wind For 1,000 Li," as well as the Beijing opera, "Xie Yaohuan" and the Kunqu opera, "Li Hui Niang."

On 27 June, Chairman Mao Zedong wrote another commentary saying, "In the last 15 years, most of the publications of these associations and most of the people in them have not carried out the policies of the party. They have acted as high and mighty bureaucrats, have not gone to the workers, peasants and soldiers, and have not reflected the socialist revolution and socialist construction. In recent years, they have slid right down to the brink of revisionism. Unless they remold themselves in earnest, they are bound to become groups like the Hungarian Petofi Club at some future date." This was followed by the rectification of literature and art. "The Northern Part of the Country and South of the Chang Jiang" was criticized; "The Second Month Early in the New Year" was criticized, and Qu Baiyin's [4234 4101 7279] "Blaze New Trails Monologue" was criticized. In October, Jiang Qing said, "The Central Academy of the Arts has gone soft!" In December began the criticism of Zhou Gucheng's [0719 6253 1004] "On the Joining Together of the Spirit of the Age," and criticism of musician Li Ling's [2621 0407] creative ideas began. Jiang Qing again proclaimed that certain films were poisonous weeds and directed criticism of them. These included "The Lin Family Shop," "No Night City," "Red Days," "Revolutionary Family," "Ballgame Fan," "The People of Two Families," "Soldiers Approaching Beneath the Wall," "Nie Er," etc.

In February 1965 criticism of the old writer Chen Xianghe's [7115 5046 7729] historical novels, "Guang Ling San" and "Tao Yuanming Writes 'An Elegy'" began, and a death sentence was announced for Chen Xianghe. In April 1969, he was murdered.

Xia Yan [1115 5888] was severely criticized, and Tian Han [3944 3352] was criticized.

On 1 March, "Li Hui Niang" was criticized anew, being termed an anti-party and anti-social poisonous weed.

At the North China modern drama performance before fellow artists for the purpose of discussion and emulation on 1 April, Zhou Yang continued to speak in favor of the need to dare to be innovative, to dare to write about contradictions, and to dare to put forward divergent views.

On 10 November, Jiang Qing's collectively written "Criticism of the New Historical Drama 'The Dismissal of Hai Rui'" was published under the signature of Yao Wen Yuan in Wen Hui Bao."

From 2 to 20 December 1966, Jiang Qing and Lin Biao convened an armed forces literature and art work forum, which turned out "minutes" espousing a theory of a dictatorship over the black line in literature and art that pushed China's literary and art circles utterly into the abyss of disaster. Virtually all works were made poisonous weeds, and nearly all authors were made "black line personages," or "counterrevolutionaries."

This resulted in a complete loss of Chinese literature or its extinction! In retrospect, all the criticism of 1966 was for not being sufficiently revolutionary, which was leveled every day against a specific artist or a specific work.

From the Time That Lao She Jumped Into Taiping Hu, Many Among the Cream of Intellectuals Were Murdered One After Another

On 24 August, the writer Lao She committed suicide by jumping into Taiping Hu. He was 67 years old. In 1924, Lao Shao had gone to England to teach at the Oriental Institute of London University, where he began to write. He became famous throughout the world for his novel "Rickshaw Boy." After 1949, he was the writer of the older generation who had been most able to adapt to the circumstances. He wrote many works of a laudatory nature, including "Dragon Beard Ditch," yet he was unable to escape persecution and humiliation. He drowned himself in indignation.

All creative work by individuals stopped. Jiang Qing found a small number of literary craftsmen who put together for her eight model plays [yangban xi 2876 2647 2070] based upon her so-called experience.

In May 1967, the eight model plays all opened on the Beijing stage at the same time. It was asserted that they "proclaimed the bankruptcy of the counterrevolutionary revisionist black line in literature and art."

On 16 May 1968, the writer Hai Mo was beaten to death. On 15 July, Cai Chusheng [5591 2806 3932] was murdered.

In August Yang Shuo [2799 2592] was murdered.

On 14 October, playwright Sun Weishi [1327 4850 0013] was murdered.

On 10 December, playwright Tian Han was murdered.

On 22 April 1969, writer Chen Xianghe was murdered.

On 27 April, the noted cinema director Zheng Junli [6774 0689 6849] was murdered.

On 23 September 1970, writer Zhao Shuli [6392 2885 3810] was murdered.

On 15 October, the writer Xiao Yemu [5618 0048 3668] was murdered.

On 13 January 1971, the poet Wen Jie [5113 2212] committed suicide.

On 5 January, the Beijing opera artist, Ge Jiaotian [5556 0663 1131] was murdered.

On 10 June, critic Shao Quanlin was murdered.

On 8 August, critic Hou Jinjing [0186 6855 6975] was murdered

On 25 July 1972, writer Ba Ren was murdered.
On 17 December, writer Wei Jinzhi [7614 6855 2655] was murdered.
In 1975, the renowned director Jiao Juyin [3542 5468 7148] was murdered.

This is only an extremely small number of the names of those engaged in literary and artistic work who died.

Though Chinese literature had been completely lost by 1966, the 10 years of the Cultural Revolution was 10 years in which Jiang Qing and the people around her took revenge, 10 years in which Jiang Qing and her circle trampled China's literature underfoot, 10 years in which Jiang Qing and her circle butchered China's writers, and 10 years in which Jiang Qing and her circle revealed their hideousness. That a great people, a people with a cultural tradition of several thousand years, would actually permit Jiang Qing and her circle to have their own way is something that should make us introspective, isn't it? We stood up to Japanese imperialist armed aggression, and we tolerated it for only 8 years.

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[Text]

Although the Great Cultural Revolution Is Over, Foolish Concepts on Literature Have Not Been Abolished; Due to Criticism Over the Past Several Decades, the Intelligence of the Majority of Chinese Writers Has Declined

Literature and art in 1977 started from denouncing the "gang of four." At that time, the poems and plays satisfied the desires and feelings of the broad masses of people for democracy. During the 10 years of the new period, the road of literature was still rough and bumpy. But each and every contention was a breakthrough and revival [fugui 1788 2981] in literature. It is difficult for us, Chinese writers, to embark on the lost literary path. Since Chinese literature is advancing toward reality, each and every writer has begun to seek his or her own character amid his or her bitter experiences. They devise their own methods, and carry out their own unique exploration. All these have been reflected in their own works. Have the foolish concepts on literature, formed 10 years before the Great Cultural Revolution, vanished with the end of the Great Cultural Revolution? No! One problem after another has occurred again and again. This is because in China literature is not a matter of writers alone. It is facing people in various circles, and of every hue, who have been twisted [niuqu 2100 2575] and shackled for a long time. These people include writers themselves. Sometimes, can people, or certain individuals in particular, surpass themselves? Our friends in foreign countries, or residing abroad ask this question very often. They do not understand Chinese writers and their works at all. I do not think that Chinese writers are so feeble-minded. They do not lack courage, ability and thinking. They encounter tremendous difficulties and obstacles when they are marching toward reality. In

many countries and regions, nobody pays attention to what a writer is writing about, or how he carries out his literary creation. However, the situation is different in China. People in general, and also leaders of the state pay attention to what a writer is doing. The criticisms repeatedly carried out over the past decades are not wasted, because they still work even now. They are still affecting people's latent consciousness and concepts. Why does the intelligence of the Chinese writers decline so easily? Why do they stop literary creative works so early? This is a thing which our friends abroad cannot understand. The labor of writers is, first of all, mental labor. Great writers must be great thinkers. Chinese writers have been criticized, or have conducted self-criticisms over the past decades. Some 99.9 percent of writers cannot avoid this, except perhaps a handful of writers who are favorites of the leaders. Such marathon and wave-type criticisms have deprived intellectuals of their ideological confidence, and their confidence for literary creation. They have completely lost their ability to resist such criticism. They have even gone so far as to seek their own "deep-rooted bad habit." When a healthy person enters a lunatic asylum, all the doctors, nurses and other patients think that he is mentally ill. He will also gradually come to regard himself as a lunatic. During the 10 years of Cultural Revolution, many great scientists were like foolish religious believers in Xizang who were engaged in the ascetic practice of kneeling and kowtowing repeatedly. Such examples are numerous. During the past 10 years or so, I have rarely discovered a superman who could soberly understand himself and the objective world around him. It is important to know one's own limitations. But it is very difficult to do so. After 6 October 1976, what did I think of? I thought of writing. What did I write? How did I write? What I first thought of was advancing toward realism. I had to march in this direction. Literature without realism will lead people nowhere. I was responsible for history. I understand this now! Chinese writers must pay a high price in order to know a few basic things. They must continue to pay the price. During the past decades, we frequently heard these calls: Plunge into the thick of life! Immerse yourself in life! Immerse yourselves among workers, peasants and soldiers! Go into the heat of the struggle! Actually literature and art workers were always in the heat of the struggle, lying between hammers and anvils. What was distressing was that writers did not dare to depict those bloodstained pictures between hammers and anvils. No one dared to reflect the real facts in the lives of workers, peasants, and soldiers. These writers truly believed that such things should never occur in literature. Instead, they sought things in the embryonic stage which conformed with existing policy. After that, they widely publicized and exaggerated such things to create heroic figures. Nobody knew that they were lying. It was fortunate for me that I stopped writing for more than 20 years. I had no right to tell lies, although I was eager to participate in the practice of telling lies. What should one do when he fails to get the very things in the embryonic stage? A theoretician has devised a very wise method. Was it not all right to reverse in writing things

which had happened in actual life? What a simple method! This was a theoretical basis for a handful of favorite writers to have a free hand in telling lies during the Great Cultural Revolution.

After the Fall of the Gang of Four, I Ventured To Write; The Play "Dawn" Moved a General to Tears; However, Military District Leaders Maintained That the Play Could Not Be Staged Openly Because It Lacked a Bright Ending; People Said That the First Person To Attack the Elimination of Counterrevolutionaries Was Khrushchev, and the Second Was Bai Hua

After 6 October 1976, I ventured to write something. I would like to take my creative activities in October 1976 as an example, and talk about what had happened in Chinese literature on its lost path of revival. After 6 October 1976, I spent a week writing a play "Dawn." Why did I write something about the ultraleftist campaign in the Red Army to eliminate counterrevolutionaries during the 1930s? Of course, this was connected with the 10-year Great Cultural Revolution which had just ended. I saw something in the Red Army in the 1930s which was similar to things happening during the 10 years of turmoil. I was extremely puzzled by the fact that it was Chairman Mao Zedong who rescued the party and the Red Army. After that he was supported by the entire army and entire party to become a leader. In 1952, when I was writing a biography of He Long, he told me the whole story of the catastrophe. Of course, at that time I knew that it was not allowed to write about all those matters, and that they could only be abstractly mentioned in party history. In 1975, I had a chance to visit those areas in Hunan and Hubei where He Long carried out his activities in the 1920s and 1930s. I toured more than 20 counties; local masses could not restrain their anger, and condemned the catastrophe in the 1930s to allude to the calamities occurring during the 10 years of the Great Cultural Revolution. Making use of an opportunity to mourn the death of Red Army general Duan Dechang, who was killed in 1930s, they cherished the memory of He Long who was persecuted to death. The sincere feelings of these people moved me very deeply. I was determined to write the play as quickly as possible. The leading character of the play was not He Long. He did not even appear in the play. Only the hoofbeat of his horse was heard. The leading character of the play was Duan Dechang. Duan was from Hunan, a student of Whampoa Academy, and one of the founders of the Red Army in Honghu. He was a firm revolutionary idealist. He adhered to a practical battle plan and opposed the practice of killing a large number of comrades on suspicion. Finally he was executed. Before the death sentence was carried out, he asked for three things: Not to be expelled from the party; that the Red Army remain in Honghu; and that he not be killed with a bullet. The bullet should be used to kill the enemy.

I did my utmost to write according to what had actually had occurred in life. I did not describe the party representative as a negative character who harbored evil intentions. He was only a dogmatic pedant, an ossified person

who did not even know how to roast sweet potatoes. It was such a person who commanded the army, and was entrusted with the task of distinguishing between good and bad people in the Red Army. He even killed his odd-jobmen. After I finished writing the playscript, I read it before some leaders of the Wuhan Military Region. Although many people did not accept it, or even felt frightened, they were shocked at the true appeal of the play. I read the play twice at the meeting of the party committee of the military region. Commander Yang Dezhi and political commissar Wang Ping were convinced by the true-to-life scenes and the eloquent and plain philosophic theory contained in the play. They could not but make a decision. Beyond my expectation, they personally wrote a letter to me. They wanted me to go to Beijing and Nanjing to listen to the opinions of some generals who had formerly worked under He Long. In Beijing and Tianjin, I read the play in front of more than 20 generals and other artists. My playscript stood up to the test, and the audience was moved to tears. I still remembered that when I intended to read the play to political commissar of the Nanjing Military Region, Liao Hansheng, he was not too willing to listen, saying that he had never done so in the past, and that even the performance of the play itself would not attract him. He added: "Can you interest me so that I listen to you for two hours?" He was fully conquered after I finished reading the first act. His secretary brought medicine to him, but he refused to take it. When I read the second act, he used a handkerchief to cover his face. He kept on weeping until the end of the play. In fact, it was not the playscript itself which was tested. It was better to say that they were tested by the recounting of a life with which they were both familiar and unfamiliar. When they were listening to my recitation, they felt suffocated, but never cast doubt upon the truthfulness of the play. In spring of 1977, the play was jointly rehearsed by a play troupe from Beijing, and a play troupe of the Wuhan Military Region. In July of the same year, the play was staged twice in Wuhan for some leaders. When the performance of the play was in progress, silence reigned in the theater. It was an out-and-out tragedy, and a brilliant tragedy of the idealists. Shortly before the end of the play, a general, who had once belonged to the Honghu Red Army, suddenly left his seat, and cried loudly outside the theater. All people admitted that it was a true success. This was the very result which I had wished to attain. There was weeping and pondering, but no applause. However, at that time leaders of the military regions maintained that with such ending, it was impossible for the play to be openly staged. A play without a happy ending could not be staged. The first old problem occurred again. There was no tragedy in the revolution—this was the second old problem. Why shouldn't a heroic figure like He Long be kept alive?—the third old problem. A hero could do everything. Although this did not always happen in life, artistic creation was different from actual life. This was the fourth old problem. This was the view of several leaders, but most audiences did not doubt it. It was because people used to regard a deer as a horse. When a real horse appeared, they could not accept it. According to the view of the leaders, the leading character was kept

alive, and He Long achieved something magnificent in the play. The play was sent to Beijing for rehearsal again. The script was revised so that at the critical moment He Long drove a horse to rush to the spot and shouted: show mercy and don't kill people. The audience was delighted at such an ending, and applauded. They believed that good would be rewarded with good, and evil with evil; if the reward was not forthcoming, it was because the time had not arrived. A small number of sober-minded persons did not accept such a revision, because they felt that this did not tally with historical facts. Even with this revision, the play could only be staged in Beijing for one month and for a restricted audience. Open performance was not allowed. Just at that time, a famous person from the literature and art circles sent the playscript to Ye Jianying and Jiefangjun Bao, asking for criticisms of the play. He maintained that the play was taking the same disastrous road of Soviet literature after the 22d Congress. He said that he had never seen any literary work which attacked the communist movement as viciously as this play did. Another playwright stepped up the writing of articles aimed at criticizing the play. He said that the play described how communists killed communists. The first person who attacked the elimination of counterrevolutionaries by the communist party was Khrushchev, and the second was Bai Hua. Some kindhearted friends sent letters, or called me, asking me to withdraw the playscript. They said: "You should draw a lesson from the rough and bumpy road taken over the past 20 years or so." Actually, they did not know that it was precisely after drawing a lesson from the past events that I decided to cast away false literature, and to embark on a path leading to reality. The play was staged with the approval of Commander Yang Dezhi and Political Commissar Wang Ping. At that time, the Central Propaganda Department and Ministry of Culture did not dare to approve. No other persons dared to approve either. Some influential persons were invited to watch to play. Many jokes occurred at that time. When Mr Xia Yan was invited to watch the play, a worker in boiler room of the theater with a firm proletarian stand said that he would drive out Xia Yan, because Xia was the forefather of the literature and art black line, and one of the four evil fellows. Director Wu Xue tried to persuade him not to do so, but he still grumbled. What was more interesting was that we invited Luo Ruiqing, chief of general staff before the Great Cultural Revolution, to watch the play. At that time, he did not hold any official post, and had had his legs broken in 1966. After watching the play, we asked him to express his opinions. He said: "This was what had actually happened at that time. The actual events were even more serious than what was described. I was also one of the executors of the erroneous line. I am not sure whether such an incident should be presented on the stage to let the audience watch it, or whether our mistakes should be reflected in art. Let me consider the matter. Give me some time for consideration." His remarks were sincere, and reflected the fifth old problem: can art be used to reflect the mistakes of the glorious, great and correct communist party? Should some matters happening in real life be included in literature and art works? In the meantime, his remarks also

revealed another problem. During the 10 years of Cultural Revolution, he suffered a lot. Although he did not hold any official post, he still said: "Let me consider the matter. Give me some time for consideration." If he had not suffered a lot during the Cultural Revolution, and if he still held the party and government posts, including member of the central Secretariat, vice premier of the State Council, secretary general of the Military Commission, and Chief of General Staff, would he still be willing to consider the matter? The answer was absolutely no. Instead, he would terminate the play immediately. In 1963, the Nanjing Military Region performed a play "Our Contingent Is Facing the Sun," describing the life of soldiers stationed on an island. The play contained no major contradictions or conflicts. After General Luo Ruiqing watched the play, he terminated it. Some two weeks after General Luo Ruiqing watched the play "The Dawn," his wife called an actor from the play to relay his view on it. He said: "I considered the matter for a long time. The play, which is about a lesson, is good. I think that the audience can accept it. Let me offer my congratulations to you." General Xiao Hua was more straightforward. He was once director of the PLA General Political Department. He also held no official post at the time that he watched the play. He stressed: "The audience will surely accept the play, because Jiang Qing and her like were their teachers by negative example. Otherwise, our audience would neither accept or appreciate the play." I believe that the Cultural Revolution has made many of our veteran generals more realistic! Of course, the play was very far from sufficient in reflecting what had happened in actual life. He Long in the 1930s was unable to save an army commander. It was just like what had happened in the 1970s—nobody could save He Long. To ensure a smooth open performance of the play, I made many revisions which went against my conscience. For instance, I repeatedly praised Mao Zedong Thought through the mouths of some characters in the play. This ran counter to history. It was because at that time, Honghu was separated from other soviet regions. Honghu was beyond the reach of the influence of Mao Zedong Thought. But in the play, I added an episode depicting how Mao wrote a secret letter in a long gown, which arrived in the area bordering western Hunan and Hubei 3 years later. At that time, if I did not do so, the audience could not accept the play. This was the great difficulty we were facing, namely, that we should tell lies deliberately. But many actors' lines which called for deep thought were retained. The audience was breathless with anxiety for the playwright when watching the play. I still remember one thing. The most important leading character in the play was kept alive, but the other one, who had once been director of a security section, was executed. He was killed by a hidden enemy under the pretext of eliminating counterrevolutionaries. A leader, who was concurrently a writer, had dinner with me. His wife was a veteran revolutionary and intellectual. At the dinner table, she asked me: "Why did you let such a good person die?" There occurred the sixth old problem: why should good people die? Good people should not, and could not die! Chairman Mao Zedong once asked a film director to keep

Sister Jiang in the film alive (she was a communist party member who died in Zhazi cave in Chongqing) in order to greet the victory. Of course, this was commendable—like kind and strict parents, many leaders treat the audience as their children. They fear that if their children see the tragic end of good people, they will lose hope and confidence in life. Therefore, all good people in literary and art works, including children, are able to defeat a powerful army and live forever. The "White-Haired Girl" described how a daughter of a poor peasant escaped to a cave because she was bullied by the landlord, and became a white-haired ghost which hid by day and came out at night. In accordance with the views of Chairman Mao Zedong, the white-haired girl was turned into a rebel, who united with other white-haired girls to resist the oppressors. Of course, this was a good revolutionary desire. But can we change the world with mere good desire? Obviously, it is impossible for us to do so. The remarks of the wife of the leader who was concurrently a writer also reflected the seventh old problem, namely, the life and death of the characters in literary works were decided by writers. In the meantime, this also reflected the love and hatred of the writer. Why do you hate outstanding revolutionaries so much? Why do you execute them so mercilessly? During the Great Cultural Revolution, very often I hung my head and streamed with sweat. I got a slap on the face because I could not answer such questions. The view of the daughter of the leader who was concurrently a writer was different from her parents. Hearing the question raised by her mother, she made known her position before I answered the question. She threw the chopsticks on the table, and shouted angrily: "It is the good people who must die! Otherwise, the calamity will last one thousand years!" She went off in a huff after saying so. Her father, who was a writer, felt embarrassed, and said: "Young people have their own views."

I was inwardly rejoicing, because there was no need for me to answer the questions.

Today, I bring up these matters again, just like telling you a joke. I hope that the joke will not occur again.

An Order Was Issued To Stop the Performance of My Play "A Starry Night," Because It Was Criticized for Describing the Cruelty of War; Writing Something About the Dream of Rural Girls To Sit in a Bridal Sedan Chair Was Regarded as Propagating the Landlord Mentality; I Made Up My Mind Not To Write Anything About War.

In 1977 and 1978 there appeared a great number of novels and plays discussing heretofore taboo issues. Of course, they were not great artistic works, but they played a greater role in removing the obstacles to truth. For example, "Scars," "Class Master" and so on asked the following questions: can those persons with bad class origin become model workers? Do they have social status? Do cadres handle these issues in accordance with their power, or reasons and law? "If I Were Real" and "Social Archives" reflected the demand for democracy.

I want to tell you another joke. In 1978, I wrote a play entitled "A Starry Night," which described how in 1948 a group of people of my age bravely sacrificed their lives in the Huaihai Campaign because they had dream for the future (that means today). Later, the play was adapted to a film. The film was completed in 1980, and would be shown in early May. One week before the showing of the film, all cinemas published notices, saying that the film would not be shown as scheduled for some reason. Why? I later learned that certain army leaders were not happy with the film, and they wanted to cut some segments of the film before it could be openly shown. What segments were cut? A young soldier lost his leg in the war. The close-up shot of how his leg was broken should be cut, because it propagated the cruelty of war. This was the eighth old problem. Of course, war is cruel. It was forbidden to describe the cruelty of war. The war could only be a happy one in which victory was easily won. The following segments were also cut: the desire of a rural girl for life and happiness, and her dream for becoming a bride, sitting on a bridal sedan chair, a wedding ceremony, and so on. According to the views of a self-styled writer, all these reflected a feudal mentality. How could a daughter of poor peasants have such a dirty landlord mentality? Later some people wrote articles to speak in my defense. They said: it was natural for a rural girl to dream of sitting on a bridal sedan chair, a wedding ceremony, wearing the headgear and dress of a bride. According to her experience in life, this was the best marriage she could imagine. How could she imagine a group revolutionary wedding ceremony held in a park? The ninth old problem occurred again. Those who came from the families of workers, peasants and soldiers were ideologically pure. They had inherent ability to combat impure ideology. They never thought of material comfort. They were not allowed to do so even in dreams. It was impossible for them to have such a dream. There were no such workers, peasants and soldiers (including their sons and daughters). This made one not know whether to laugh or cry. The following segment was also cut: after the war, a group of dead soldiers lying on stretchers. They thought that such descriptions were improper. Why did so many people die? About one million people died in the Huaihai campaign. On the screen, there were only scores of people dying in the war. Why could they not tolerate this? Those who criticized the film survived wars which lasted many years. The director was not willing to cut the segments, but an order was issued to ask other people to do so. After the showing of the film, it was criticized as a revolutionary film just like "The Bitter Experience of a Person." It should be fairly pointed out that in 1980 Wang Renzhong and Deng Lihou did not agree with such accusations. A plan of vigorously criticizing the film was given up because of the publication of a great number of articles which defended the film. An article written by a leftist writer was counterattacked by more than 10 articles. He felt greatly embarrassed because of this. Thereafter, I made up my mind not to write about war anymore. It was a waste of energy when one sank into a pit. But when a film about war "A Garland Under a High Mountain" (also

called "The Willingness of a Soldier To Die for His Country") was later produced, there was no controversy over the shot of a soldier losing his legs. Last year, people did not argue about the shot of a heap of wounded and dead soldiers in the feature film "Bloody Battle at Taierzhuang." This shows that our audience and leaders have made progress. They have marched considerably toward reality. They have become braver to look reality in the face.

Human Nature Was Drowned as a Result of Criticizing "When Evening Glow Was Disappearing," "Man O Man!" and "Lust and Luxuriant Grass on the Plain;" There Was No Flesh and Blood in Our Literary Stories; There Was Only a Simple Theme in Them

Later, efforts were made to criticize a number of works involving human nature, including the novels "When Evening Glow Was Disappearing," "Man O Man!" "Lust and Luxuriant Grass on the Plain," and so on. This was the tenth old problem. In other words, did human nature exist alongside class nature and man's social attributes? The problem of human nature in China dated back to the 1920s. It dated back to the 17th or 18th century in foreign countries. It seems that the answer to the question of human nature has been given by those greatly successful literary works of the world. If there was only class nature in "Tess of D'Urbervilles," could it still be popular today? If there was only class nature in Maslova of "Resurrection," could such a great tragedy survive? Our literary criticism circles had a long-standing misconception. Some critics thought that human nature was something shameful, and that it was an insult to human beings. So, in our literary stories, there were no relations of flesh and blood which caused one pain, no scenes of loving care, joy, sorrow, loneliness, or of lingering thought. After reading our novels, readers might have the impression that there was only a simple theme in the stories. This was not because of the lack of minute description in the novels. Once a writer decided to do something which "ran against the will" of the authorities. He deliberately wrote an unconvincing and dull novel aimed at speaking in defense of human nature and humanism. He failed to attain his purpose. Writers can only find their answers to many theoretical questions in life. This is also the case with all philosophers and thinkers. Life itself is the highest authority.

Criticizing Zhang Xinxin's Maiden Work "On the Same Horizon" Was Tantalizing to Avoiding Describing Real Life Such as What Happening During the Great Cultural Revolution, When People Waved Their Little Red Book, Their Eyes Filled With Tears of Gratitude, and Sank Together into a Pit

Another controversy was evoked because of the criticism of female writer Zhang Xinxin's maiden work "On the Same Horizon." She described a young husband and wife who are living on the same horizon. They cannot live in peace with each other because they are struggling hard for their respective goals. The focus of the criticism was on the ideological trends of the novel. The writer described a

male character of an ugly nature, including extreme individualism, philistinism, selfishness and unscrupulousness. The writer was accused because she praised, sympathized and spoke in defense of the male character. This was the eleventh old problem: why should such incorrect personality be described? Why was it not criticized in the literary works? Why was the disgraceful end of such character not described so that readers could take a lesson from it? Since those who criticized could discern the philistinism of the male character, the readers could also do so. The twelfth problem followed then: were we living, according to these extreme individualists, in a swimming pool-like environment of "individual struggle"? Since we were always living in a "declining country," there was no need for us to take any precautionary measures, or use our brains in order to take part in competition. I absolutely cannot accept the idea. I never took precautionary measures in all my life, so I was repeatedly deceived and taken in. Why should we not tell people about life's hardships? It was precisely because of our failure to tell people about life's hardships and complexity that for the 10 years of the Great Cultural Revolution, we waved the red little books, with our eyes filled with tears of gratitude, and sank together into a pit in broad daylight. We used to treat literary works as books which preached morality. Those books preaching morality, which I read when I was young, did not avoid the hardship and evil spirit in life. We should know that our readers are also struggling in their life. Just as I mentioned at the beginning of this speech, we always wanted our works and characters in the works to follow a certain correct standard. This is not the aim of literature. Furthermore, the concept on such "correctness" is always changing. If Lao She wrote, or revised his "Teahouse" in accordance with a standard considered correct at that time, "Teahouse" would not become an outstanding play. It was right for Lao She to stick firmly to his own path. I do not mean that a correct standard is not needed in literary creation. But the correct standard is set by history, and lives in the hearts of the broad masses of readers. Of course, writers strive to attain a lofty realm of thought. Different writers adopt different methods in this regard. To do so, they do not merely rely on describing characters with lofty ideals. Gorky is known as a great proletariat writer. But in his works, we can hardly find the perfect character which some moralists and critics in China have demanded. Some of his long novels mainly describe greedy exploiters, or low-spirited persons who suffer a lot in society.

During that period, discussions were conducted on alienation and vague poetry [menglong shi 2603 2604 6108]. There were also discussions on the modernist school, the school which was enthusiastic in seeking roots, and so on. Most of the discussions were separated from politics. Differences in views and forms of literature and art were no longer equated with counterrevolutionary views. This was a great progress. At the fourth congress of literature and art circles, Deng Xiaoping did not mention the

slogan of making literature and art serve politics. However, in many discussions, differences in literature and art are still regarded as political and ideological differences. But there is no campaign of persecution as it happened in the past.

I Pay More Attention to Things That Will Happen in the Future; My Purpose in Writing "Gold Shield of the Prince of Wu and Sword of the Prince of Yue" Was To Repeat Li Bai's Poetical Inspiration; Many Enlightened Emperors Took the Initiative in Listening to Satire, Using Previous Stories To Cure the Sickness of Their Country; Why Should Modern Men Take This to Heart?

Some people might ask: why did you avoid the issue of the criticism of the "Bitter Love?" Before 1982, wasn't the criticism of the poem a striking issue in China? It is right for them to ask these questions. But there were already a lot of comments on these questions both at home and abroad. In the meantime, the criticism has become a matter of the dim past. What is the use of mentioning things which all people are already familiar with? As a person directly involved in this matter, it is improper for me to say anything about it. A writer should introduce all his works to his readers. From all his works, the readers know the things which are deep in the heart of the writer. If we can do so, this means we have done enough. As far as I am concerned, I have more concern for matters which will happen in the future. In 1983, my historical play "The Gold Shield of the Prince of Wu and the Sword of the Prince of Yue" was staged in Beijing. The play was criticized for using the past to disparage the present, and its performance was banned in Beijing. This was the thirteenth old problem, which has not yet been solved to date. In Chinese history, the concept of our philosophers was: using the past to serve the present. They openly proclaimed the necessity of learning from past experience. Some enlightened emperors took the initiative in listening to satire, using past stories to cure the sickness of the country. The ancient story in my play might be similar to things happening today. Why don't we use it to heighten our vigilance so that we can deal with present-day evil? Chairman Mao Zedong repeatedly advocated this practice. He praised Guo Moruo's "Qu Yuan." In the 1940s, when the whole country was facing a nationwide victory, he advocated the writing and performance of the play "King Li Chuang," which described the rise and fall of the king. I wrote the story of the Prince of Wu and the Prince of Yue. I described more about the restoration of old manners after Gou Jian recovered his country. This was a historical fact, and Li Bai, a great poet of the Tang dynasty, had already realized that it was a historical lesson. He wrote the following poem: "The Prince of the state of Yue, Gou Jian, sent a punitive expedition against the state of Wu. The warriors returned home in silken robes. The palace was full of girls as beautiful as flowers. Now one can only raise his head to see francolins flying." I only repeated the poetic aspiration of Li Bai. Present-day China is not an empire. Why should some people always involve them in the matter and make comparisons? Some people even felt frightened. What puzzled me

most was that in early February this year (1987), the Beijing People's Artistic Troupe rehearsed my play "The Song of Locust Flower." But the performance was banned in Beijing. What was the play about? It was about a great Chinese national hero in the Southern Song dynasty Yue Fei. It is a story common to all. When I first wrote the play, I solicited some people's opinions. My friends said that there was no problem in the play. Who will regard himself as Emperor Gao Zhu of the Song dynasty, or Qin Gui? Is it the time in present-day China for not openly praising Yue Fei, and condemning Qin Gui? The play was banned in Beijing. This showed that certain leaders in Beijing who handled the case did not know how to make a distinction between what was bourgeois liberalization and what was not. I don't think that the CPC Central Committee will regard the play on Yue Fei's anti-Jin patriotism as bourgeois liberalization. While implementing the instruction of the central authorities, leaders at various levels liked to add something to it. They thought that the stricter their measures, the more securely they would retain their posts. Of course, another possibility should not be ruled out. In other words, even if there was no problem with the play itself, they might think that it was not suitable to publish the works, or perform the plays of Bai Hua during the sensitive period and in a sensitive place. What were the actual reasons? They never told me directly. If it was due to the latter reason, this, of course, meant that metaphysical views made mischief.

I Do Not Think That Sexual Ignorance Will Do a Nation Any Good; Although We Have Advocated the Practice of Seeking Truth from Facts for Many Years, It Is Difficult To Do So; All Mistakes Are Rooted in Our Failure To Seek Truth from Facts

Due to objective factors, many writers thought that the farther they departed from politics and life, the better. Politics is everywhere in the life of the Chinese. That's why you do not know when and where the stories in some literary works happen. The stories always happen in unidentified places. Even if such a method of writing was adopted, some significant works could also be produced. However, all writers are writers of the times. Shakespeare wrote about history. But through historical dramas, he reflected the ideas and desires of the people of his times. In recent years, some writers have written about sex in their works. People discuss a lot about this. It is absolutely normal for them to do so. China was in a state of seclusion for a long time. One will consider something curious simply because he has not seen it before. There are plenty of literary works on sex in the world, and different writers adopt different attitudes toward sex. I don't think that sexual ignorance will do a nation any good. It is impossible to maintain such ignorance in a country which is open to the outside world. Instead of letting people maintain their curiosity, it is better for us to let them know things about sex. However, it is no good if our purpose is to try to please the public with claptrap or cater to the curiosity of certain readers. We have made great progress in this regard. Writers who wrote about

sex were not regarded as hooligans. Some works about sex were not indiscriminately treated as pornographic works.

What makes me feel most excited is the theory of the initial stage of socialism expounded by the 13th Party Congress. There is no doubt that this is a significant and amazing thing for our literary circles. In recent years, we have been advocating the practice of seeking truth from facts. But it is difficult to do so. It is appropriate to say that all mistakes are rooted in the failure to seek truth from facts. At a meeting of the CPC Central Committee Political Bureau held on 15 June 1953, Chairman Mao Zedong said: "The period from the founding of the PRC to the basic completion of socialist transformation is a transitional period. The general line and general task of the party in this transitional period is that after a fairly long period of time, the party will basically accomplish the task of the industrialization of the state, and socialist transformation of agriculture, handicraft industry, and capitalist industry and commerce." He believed that this would take a fairly long period of time. In the first half of 1956, he proclaimed the basic completion of agriculture, handicraft industry, and capitalist industry and commerce in China. In 1957, something was done which was against the will of the people. It was announced in 1958 that some localities in China had already entered communism. Free meals were provided, and big canteens were run everywhere. When no more grain was available, the canteens were closed. Some people starved to death. We did not even dare to admit that some people died of starvation. The Great Cultural Revolution started in 1966. It was announced that China was the only inextinguishable beacon of the proletariat of the whole world, and the hope of world revolution. The people in Asian, African and Latin countries were living in the abyss of misery. China was the happiest and most progressive socialist power, a country which owed no foreign and internal debts... But actual reality was just the opposite of what was described. This brought very great difficulties to the literary circles. Describing real life was regarded as deliberately acting contrary to the central authorities and discrediting the great socialist motherland. There was no need to write any stories in a society which was like a paradise. All people were immortals. Immortals did not have any sufferings or anxiety. At that time, there was a cultural hall in each and every county. Working personnel in the cultural halls were asked to write plays collectively to criticize the bourgeoisie. At that time, people in the rural areas could not even afford to eat enough porridge at lunch and supper. Where was the bourgeoisie? After discussions, all participants agreed that there was no bourgeoisie. But the criticism of the bourgeoisie had to continue. Some people suggested the criticism of bourgeois ideology. However, after discussion they came to the conclusion that peasants always recited Mao's quotations at all meetings and never talked about their ideas. They did not even dare to raise the problem of redistribution of private land, because this was bourgeois practice. Efforts must be made to criticize bourgeois phenomena! There

were always phenomena in a play. Were there any bourgeois phenomena? After racking their brains, some one suddenly cried out: I have found it. But actually what had he found? Everyone was staring at him. He said: Marriage requires betrothal gifts. Is this not a bourgeois practice? Everyone seemed to be suddenly enlightened. Yes, girls in rural areas asked for only two things as betrothal gifts at that time: shirts made of polyester, and trousers made of fine cloth, of course not pure woolen cloth but blended or pure polyester fabric. So this group of talented playwrights had all their worries dismissed. Everybody talked glowingly, and the play was quickly finished. Then they asked a production team to hold a meeting during which the play was read aloud before all team members. In that play, the bride had her understanding greatly enhanced after being criticized. Those talented playwrights had written a long and moving speech to be read aloud by the awakened bride, which contained several quotations from Chairman Mao's highest instructions. Needless to say, in the speech, she expressed her thanks for the party and her brothers and sisters of the same class for redeeming her from falling into the bourgeois trap and for giving her a new life and bringing her back to the class ranks! After the long speech, to demonstrate her determination to break with the bourgeoisie, the bride tore off the polyester shirt and the woolen trousers, and embraced the poor and lower-middle peasants. So that was the end of the play. Those peasants present at the meeting gave no reaction after having listened to the play. The playwrights felt a little perplexed and uneasy. Suddenly, they heard a young lady cry. They were really happy. Some peasants must have been deeply moved by the play, they thought. "Who is crying? Please stand up and talk about your feelings." A young woman who had just gotten married stood up crying. What she was wearing was just such a polyester shirt and a pair of woolen trousers. She said in tears: "I cannot tear off my shirt and trousers. I wear no underwear. I will be completely naked if I tear off my shirt and trousers." Her bridegroom, who was shabbily dressed, immediately stood up to comfort her: "This is only a play!" The bride said: "No. How people play on the stage will be imitated by those who watch the play." What the bride said was true. Class struggle had been conducted in many places in the manner displayed in that play. I just do not know whether I should laugh or cry whenever I recall this story. The spirit of seeking truth from facts put forth by the 13th CPC Congress will certainly be favorable to the development of contemporary Chinese literature. From the complete loss to the recovery of its natural instincts, contemporary Chinese literature is bound to finally regain its own position. I dare not say that any great works will emerge in the near future. What I can say is that the road will gradually become smoother for literature to seek the truth, the good, and the beautiful. In the wake of the opening up of China's economy to the outside world, our old conceptual framework will be changed to keep closer and closer in line with the actual situation. The invisible hand of the economy is bound to stretch into all fields, including literature. The economy is an invisible but not unreal hand. It is related to material wealth that really exists.

I would like to take this opportunity to express my thanks to all the friends here. All of you are my teachers and friends whom I have never met before! I am sure you will forgive me, with your sincere feelings, for any mistakes or shortcomings that I have shown in my speech! You may have found that I have not been giving an academic lecture but showing all of you a heart, one filled with blood, blood which is not a precious ruby, only ordinary flesh and blood! May everyone of you have a heart like mine, made of flesh and blood! Let me thank you once more, my dear friends!

Director of Information Bureau on Press Reform
40050083c Beijing ZHONGGUO BAKAN BAO
19 Dec 87 p 1

[Article by Yao Mei [1202 4168]: "Exploration, Innovation in Press Theories To Meet Requirements of Reform and Open-Door Policy"]

[Text] "To meet the requirements of modernization, there must be exploration and innovation in press theories. Bearing this in mind, we can express any views in discussing press theories. There should be no forbidden topics in such discussions." These remarks were made by Wang Furu [3769 4395 1172], director of Information Bureau under the Central Committee Propaganda Department, at the second annual seminar of the academic society of journalism recently held in the capital.

Wang Furu said: Comrade Zhao Ziyang laid down the requirements for press reform in the report of the 13th Party Congress. The report pointed out not only the need, but also the direction for press reform; that is, during the initial stage of socialism, our press must offer these three services: to develop socialist commodity economy; to build socialist democracy; and to develop socialist spiritual civilization. During the revolutionary period, the main function of our press was to propagate Marxism-Leninism and to wage class struggle. After the founding of the People's Republic, our press administration system was mechanically copied from the Soviet model and further strengthened during the long period of product economy and political movements. Therefore, it is unsuited for the development of socialist commodity economy. Now, in discussing press theories during the initial stage of socialism, we must not only carry forward the fine traditions of the revolutionary period, but also introduce innovations to meet the requirements for developing socialist commodity economy and democracy. There should be corresponding changes in the functions, structure, and administration system of the press, and in the forms of reportage as well the personnel's quality and the way of thinking. Of course, our commodity economy is socialist commodity economy that is subject to macroeconomic control. That is why there are common features as well as essential differences between our press and the capitalist press. The comparison calls for careful study.

He continued: The press reform as a whole is proceeding under several different conditions. In studying press theories, we must uphold two basic points: We must implement the policy of letting a hundred flowers blossom and a hundred schools of thought contend and should not designate any forbidden zone. In press practice, we have used some fetters to tie our own hands. "Our own taboos should be handled by ourselves," and we should rely on our own efforts to break them down. However, when any problem involves the press policy and the macroeconomic management system, we should conduct investigations and study, listen to the views of various parties, and solve it systematically under the Central Committee's leadership.

In the seminar, 14 comrades including An Gang [1344 1511], Hu Jiwei [5170 4921 0251], and Qian Xinbo [6929 6580 3134] expressed their views on consultation and dialogue in the press, supervision over the mass media, reform of the press structure, and other questions. Fang Yan [2455 6056] and Yang Zicai [2254 1311 2088] also talked about the present conditions of press reform in the Soviet Union and the economic news reports in Japan.

09411

Provincial Officials Call for Greater Role of People's Congresses

OW140239 Beijing XINHUA Domestic Service in Chinese 0743 GMT 13 Feb 87

[Excerpts] Beijing, 13 Feb (XINHUA)—People's Congresses Play an Increasingly Important Role

Wang Guangyu, elected chairman of the provincial people's congress standing committee at the First Session of the Seventh Anhui Provincial People's Congress, said: "The Anhui Provincial People's Congress held a very successful election, in which there were more candidates than posts. The election received favorable reviews from all circles. This shows that the people's congresses are playing an increasingly important role in the reform of China's political structure."

Wang Guangyu said: Judging from the results of this election, the political quality of the 700 or so deputies to the Anhui Provincial People's Congress is very good. They are very thoughtful and highly capable of participating in and discussing political affairs.

Wang Guangyu said: Practice has shown that there are many advantages to holding elections with more candidates than posts: 1) It allows the people's deputies to fully exercise their democratic rights to participate in and discuss government and political affairs; 2) It is conducive to mobilizing the people to elect capable

people with political integrity; 3) It helps people's congresses bring into full play their role as organs of political power; and 4) it helps enhance political transparency and promote reform of the political structure and personnel system.

Never Let the People Down

Cheng Weigao, elected governor at the the First Session of the Seventh Henan Provincial People's Congress, said: At the provincial people's congress session, Zhu Shuquan, vice chairman of the provincial Federation of Industry and Commerce, gave me a scroll with the word "hopes" written on it. I think it represents the "hopes" placed on me and on the new leadership of the provincial people's government.

Speaking of how to implement the tasks outlined in his government work report, Cheng Weigao told the reporter: This is our guiding ideology—avoid mere formalities or empty talk and make good on our promises to the deputies and people of the province. How to fulfill the promises? First, we are going to put into force a system under which an official is held responsible for the

attainment of certain objectives during his tenure. In the past there were no work objectives for some government departments and it did not make any difference to them whether they performed well or poorly. Consequently, those departments which accomplished much did not get the encouragement they deserved and those departments which always lagged behind did not feel any pressure. This is one of the main reasons for the lack of vitality and poor efficiency of our government organs. The first thing we did following the election of the new leading body of the provincial people's government at the provincial people's congress session was to divide the tasks outlined in the government work report into 108 assignments to be undertaken by me; the vice governors; and the various commissions, offices, departments, and bureaus. We also designated 18 tasks to be given attention in 1988. The system under which an official is held responsible for the attainment of certain objective during his tenure has been introduced to ensure the fulfillment of these tasks. We will also draw on public support, regularly report our work to the people of the province, and subject ourselves to the criticism and supervision of the people across the province and their deputies.

NATIONAL AFFAIRS, POLICY

Strengthening, Improving Enterprises Management in Economic Reforms Urged
40060095 Taiyuan JISHU JINGJI YU GUANLI
YANJIU [RESEARCH ON THE ECONOMICS AND
MANAGEMENT OF TECHNOLOGY] in Chinese
No 5, Oct 87 pp 12-15

[Article by Zhou Shoulian [0719 0647 5571]: "Economic Reform Should Emphasize Strengthening and Improving Enterprise Management"]

[Text] One of the important issues which must be emphasized in the restructuring of the economic system is improving enterprise management, and developing enterprise potential. As a result of the several years of reform, enterprises, to various degrees, have become more autonomous, and more conscious of the need to improve management. Many enterprises have set up programs which "emphasize management, assign ranks, and improve overall quality," and have taken specific measures to realize their goals. On the whole, however, Chinese enterprise management is not up to standard; some systems are still chaotic and undisciplined and far from being able to cope with the economic reform and development.

Based on our study of certain enterprises, the main problems in enterprise management today are the following: (1) Poor labor management. According to a report by the labor section of a factory, generally regarded as profitable, in Beijing Municipality, the average work day is at most 4 hours long. In other words, the factory is operating only 50 percent of the time. Some factories (including the more profitable plants) even operate an even lower percentage of the time. In that particular factory, production quota is implemented only in the main production workshop, but not in auxiliary workshops. Neither the supervisors, technicians, nor rear-service personnel have specific work quotas. At present, even if there are production quotas, they are based largely on estimates and past experience; some enterprises just pick an arbitrary figure, and the quotas have the tendency to be too low. Some work forces are poorly organized, and enterprises are overstaffed, and too often workers are present yet are idle. (2) Poor resource management. In one factory, there are separate warehouses for materials for capital construction, hardware, goods in transit, finished products, special machine fittings, and the like. Three of the five warehouses, those for capital construction materials, goods in transit, and machine fittings, do not keep an inventory, so there is no record of how much of what has been requisitioned, and "anybody can take whatever he wants." After some equipment was installed, nuts and bolts were scattered all over the place, and nobody cared. (3) Facilities are poorly managed. Judging from some enterprises in Tianjin Municipality, one can say that most equipment is poorly maintained. Some plants are

overwhelmed by production schedules, and often overlook equipment maintenance. They shorten inspection and repair time, and reduce repair schedules from 15 days to 10 or even to 8 days. Because there is little time for maintenance, some repair jobs are just not undertaken. (4) Poor financial management. The most significant problem is cost-control. Some enterprises jack up production costs and this is a serious problem. Some comrades have listed the following phenomena as examples of how enterprises jack up their costs: 1. Assorted bonuses are listed as production cost. 2. Welfare expenditures are listed as cost. 3. Various types of capital construction are listed as production cost. 4. Extra appropriation of special funds is treated as cost. 5. Extra appropriation of reserved funds is regarded as cost. 6. Expenditures which should be amortized are written off as a one-time expense. 7. Union and other mass organization expenses are considered costs. 8. Various financial support and apportionment are listed as costs. This approach conceals true production costs. It not only brings economic accounting problems but also makes it difficult to manage the enterprise as a whole. Some enterprises' need for non-production funds "consumed" their production funds; others resort to tax fraud or tax evasion. These phenomena which violate financial and economic discipline must be rectified.

It is no surprise that enterprise management is riddled with these and other problems. The previous enterprise management system in China was unsound, and present socialist enterprises have not been in existence for long. Management came under the influence of negative "leftist" ideology even before the cultural revolution, and suffered serious damage during the Cultural Revolution. Enterprise management was not taken seriously until after the 3d Plenum of the 11th Central Committee. So it has not been a long time. Experience shows that as long as the leaders at all levels have the correct guiding ideology, and as long as they take this issue seriously, enterprise management standards will improve. In implementing reform, we must not neglect this issue. During our investigations we have discovered that many comrades (including enterprise leaders) are unwilling to discuss enterprise management. They think that the central task lies in reform, and it is in vogue to discuss reform, not management. They are even less willing to discuss management problems within their own units. They think that talking about it would only make it appear as if they have done a bad job. The fact is, enterprise management and economic reform are interrelated. Only by facing the problems in enterprise management and doing our best to solve those problems, can we succeed in economic reform and achieve the desired results.

We must emphasize enterprise management during economic reform because management is the critical component in an enterprise's operating mechanism. Today, in implementing economic reform we are faced with the vital task of thoroughly reforming enterprises. We have to establish and strengthen an enterprise's operating

mechanism so that it integrates responsibility, power, and profits. It is crucial that we improve enterprise management in order to accomplish this task.

What is an enterprise's operating mechanism? The term "mechanism" is of Greek origin and means a piece of machinery, something mechanical, an organized body, or an organic system, as well as their integrated and interacting parts and components. By deduction, it also means the tools or means that people create and use to achieve their desired goals. It includes all the necessary conditions machines and people need in order to function properly. The operating mechanism of an enterprise can be defined in a broad or narrow sense. In the narrow sense, it denotes the enterprise, the main operating body, and all its related and interacting parts and components. In the broader sense, it refers to the necessary conditions, and the sum total of those conditions, which enterprises, as the main operating body, need in order to function properly (that is, to carry out effective business activities.) As the main operating body, enterprises are made up of many branches and sub-systems, and the enterprise management system is an indispensable part of the whole system. Enterprises require a series of internal and external conditions in order to function properly, and management is an essential internal condition. Therefore, both in the broad sense and in the narrow sense, enterprise management is a crucial part of the operating mechanism.

What role does socialist enterprise management play in the enterprises' operating mechanism? The author feels that it serves several functions, and the following functions warrant special attention: One, management facilitates the normal labor process. All production processes are processes of labor, and the essential elements in the process of labor are people, the instruments of labor, and the subject of labor. During the labor process, the activities of people transform the subject of labor by means of the instruments of labor. In order to facilitate this process, management must first properly organize the work force, the instrument of labor, and the subject of labor. If management fails to perform, the labor process will be thrown into confusion, and production will be hampered, or even forced to stop; in short, production will fail. We must also realize that the end result of the labor process is the product, and the value derived from the use of the product, and the quality of the product are to large extend determined by enterprise management. Two, management facilitates the normal process of creating value. Socialist production is also the production of commodities, and "the process of producing commodities is necessarily the unity of the labor process and the process of creating value." ("Das Kapital," Vol. 1, p 211.) The normal process of creating value means a process which complies with the law of value, that is, the labortime used to create the value is less than, or equal to, the socially necessary labortime. This is because in a commodity economy the value of a commodity is determined by the labortime socially necessary for producing that commodity. If more labortime than is socially

necessary is used to produce that commodity, it will be rejected by society, and enterprises will suffer loss, and eventually go bankrupt. Therefore the work force must fulfill its proper function, and refrain from wasting raw material or other means of production. This will be difficult if enterprises are poorly managed. Three, management facilitates the normal socialist process of propagation of value. Socialist commodity production is also a process of propagating value. Without multiplying value we cannot increase the people's income, and we cannot realized expanded reproduction, nor can we follow basic socialist economic law. The socialist process of propagating value is fundamentally different in nature from the capitalist process. Under socialist production, the propagated value does not belong to the capitalist; it is no longer the surplus value which the capitalists extract from the workers. Instead it belongs to the socialist state, the enterprises, and the workers. The normal socialist process of propagating value is a process which complies with socialist economic law. For example, we must increase the worker's income, but at the same time allow the state and the enterprise to increase accumulation. If enterprises are mismanaged, this socialist process of propagating value cannot be carried out smoothly. Four, management also facilitates the normal functioning of other components and sub-systems within the enterprise operating mechanism. For example, the normal workings of the enterprise operating system, the manifestation of the plant manager responsibility system, the implementation of the system of distribution according to work, and the enhancement of spiritual civilization are all integral parts of the improvement and perfection of enterprise management. To a certain extent, enterprise management is the foundation of the enterprise operating mechanism. By the same token, enterprise management itself is also a reform issue.

"Mechanism" originally is an engineering and biological concept. There is a distinct advantage in borrowing this concept to study economic problems because it compels us to analyze all aspects of the problem, and avoid over-emphasizing one aspect while neglecting other factors. Whether we are talking about a piece of machinery or a biological organism, their separate parts have different functions, but all are essential parts of the whole. If one part is missing, the whole body cannot function properly, and life comes to an end for the biological organism. As far as our study of the enterprise operating mechanism is concerned, the emphasis of the present reform is on implementing a responsibility system in a diversified economy, and promoting the separation of the right of ownership and the right of operation in enterprises, so as to better integrate responsibility, power, and profits, and attain bona fide autonomy and financial independence. Based on the above analysis, we must not overlook the importance of enterprise management when we tackle the main reform issues.

As we proceed with the restructuring of the economic system, there are new and greater demands on enterprise management. Reforms will naturally enhance the role of

management, but we cannot assume that management standards will automatically improve. The people must work arduously to improve management standards.

As an example, further reforms signify that enterprises will have greater autonomy and more responsibilities. Enterprises must therefore improve their management standards. In recent years, although enterprises have greater autonomy, some of them do not know how to handle it. They prefer having someone there to look over their shoulder. The reason enterprises cannot handle their autonomy is because of poor management. As enterprises are given even greater power of self-determination, and as their responsibilities are better defined, they must look inside themselves, and strive to improve management and develop their potential.

As another example, more thorough reforms signify further development and perfection of the market system; it signifies more extensive and stronger regulatory effects of the market. Enterprises must then be run even better if they are to cope with changes in market demand, and develop business strategies and policies accordingly. Better enterprise management is the basis for better enterprise operation. Today, many enterprises manage information poorly; they fail to grasp market conditions and trends. They manage technologies poorly; products have not changed over several decades. If we fail to change this situation, we cannot hope to succeed in this competitive market.

Furthermore, reforming more thoroughly means opening up still more to the outside world and greater economic and technological exchanges internationally. In the process, more and more enterprises will enter and compete in the international market. To increase the competitive edge, greater demands will be made of enterprise management. Earlier, we said that enterprise management must make sure that only socially necessary labortime is used to create value. Whenever Marx discussed socially necessary labortime, he always emphasized "the labortime necessary, under certain social production conditions." ("Das Kapital," Vol. 1, p 213.) In international trade, these "certain social production conditions" obviously include contemporary advanced standards in technology and management.

The specific form of our economic structure changes as the mode of economic development changes in this country. Economic development has changed from a high-speed mode to a mode which combines speed and performance. This also means that expanded reproduction in society must change from an extensive mode to an intensive mode. The key here lies in improving economic performance, especially in improving product quality and reducing material consumption. To accomplish this, we must strive to improve enterprise management. In recent years we have seen improvement, but economic performance in this country is not up to par. Compared to the more advanced countries, some of our economic and technological standards are behind. There

are many underlying factors for poor economic results. At one time, we emphasized macroeconomic control and tackled areas of more serious dislocation in the national economy. There is justification for this kind of emphasis. There is, however, an internal relationship between this country's poor economic performance and the low enterprise management standards. We must especially realize that macroeconomic performance is based on the economic success of enterprises. Low enterprise profits means poor macroeconomic performance, and enterprise management is an important factor, or even the determining factor, in an enterprise's profitability.

To meet the needs of economic reform and development, we must gradually establish a modern socialist enterprise management system with Chinese characteristics. We have the right conditions to achieve this goal, but we also face many problems. The socialist public ownership system is not antagonistic, and there is mass support for improving enterprise management. There are, however, unique and very difficult management problems under the public ownership system. We are an underdeveloped country, but in enterprise management, we enjoy certain advantages, because we can learn from the experience of the more advanced countries. But we also encounter many problems which the advanced countries do not and so cannot provide us with solutions. We must find the answers ourselves. Economic reforms have brought many beneficial conditions and great impetus to enterprise management reform, but they have also brought many new problems. For example, enterprise management must accommodate different business formats, different kinds of plans, and accommodate the two-track pricing system, vacillating economic policies, frequent internal and external changes, and other changes. These problems warrant serious study. In short, when we proceed with economic reform, we need to understand clearly the problems of enterprise management and have a strong sense of urgency in solving these problems. Through solid work, we must steadfastly improve enterprise management standards.

12986

PROVINCIAL

Jiangsu Governor's Work Report

3943E Nanjing XINHUA RIBAO in Chinese
4 Feb 8 pp 1, 2, 4

[“Report on the Work of the Jiangsu Provincial People's Government, Delivered by Governor Gu Xiulian at the First Session of the Seventh Jiangsu Provincial People's Congress on 22 January 1988” — XINHUA RIBAO headline]

[Text] Fellow deputies, as requested by the Jiangsu Provincial People's Government, I shall now make a report to the congress on the work of the government for examination and approval by the present session.

I. The Situation of Work in 1987

Working under the leadership of the party Central Committee, the State Council and the Jiangsu Provincial CPC Committee and in accordance with the resolutions of the Fifth Session of the Sixth Jiangsu Provincial People's Congress, in 1987 we seriously carried out economic construction as our central task, upheld the four cardinal principles, persistently carried out education in reform and opening to the outside world, launched a widespread campaign to increase production and practice economy and to raise revenues and reduce expenditure, strengthened structural reform, opened wider to the outside world, consolidated and enhanced the political situation of stability and unity, ensured a steady economic development, and made achievements in all work.

1. We maintained a good trend for economic development.

The rural economy developed steadily. All localities seriously implemented the guidelines of the CPC Central Committee's 1985 Document No.5, further strengthened rural reform and firmly strengthened their leadership over agriculture. While natural disasters were frequent, farming results of major agricultural products were comparatively lower, and there was a serious shortage of means of production for agriculture. Agricultural production developed steadily, thanks to the joint efforts made by the whole province. As we produced 32.38 million metric tons of grain, 1987 remained a year of good harvest. The annual average per-capita amount of grain had exceeded 500 kilograms for 4 consecutive years. The output of edible oil was 1.2 million metric tons, the best in our history. The cotton output amounted to 409,000 metric tons, showing an increase over 1986. We also achieved all-around development in forestry, animal husbandry, sideline undertakings, fishery and other undertakings, and increased by a big margin the output values of manufacturing industry, commerce, building industry, transport, and service trades. The total social output value of Jiangsu's rural areas exceeded 100 billion yuan. Of the total, agricultural output value amounted to 25 billion yuan, the output value of rural industry 66 billion yuan, and the output value of building industry, transport and commerce 13.7 billion yuan.

Industrial production increased steadily. All localities overcame shortages of energy, capital, and raw and processed materials, made great efforts to develop the production of consumer goods according to market demand, and accelerated the development of new industries for energy, raw and processed materials, machine-building, electronics, refined industrial chemicals, and chemical fiber. The provincial industrial output value amounted to 148.5 billion yuan, up 22.7 percent from 1986. Enterprises improved their economic results. Local state-owned industrial enterprises increased their output value, sales income, and profit. They steadily

improved the quality of products, lowered material consumption, and shortened the turnover period of funds. We seriously implemented the technological transformation plan as part of the Seventh 5-Year Plan, paid attention to quality control in all fields, and raised the level of industrial technology and management. The volume of transport, post and telecommunications services rose steadily, and our overall transport and telecommunications capabilities were enhanced.

The investment pattern improved. All localities implemented the principle of "three guarantees and three restrictions" to control the scale of capital construction. In the province, 919 capital construction projects were canceled, suspended, or reduced in scale, and 830 million yuan were saved. Of those projects, 216 were either canceled or suspended, saving 170 million yuan. The increase of investment in capital construction made by local state-owned enterprises in 1987 was smaller than the increase in 1986. The increase of investment in technological transformation was greater than the increase of investment in capital construction. The investment in nonproductive projects decreased in 1987, as compared with 1986. A number of productive projects were completed and put into operation on schedule, increasing the province's installed capacity of generators by 1 million kilowatts, coal mining capacity by 1.2 million metric tons, and the cargo-handling capacity of river and coastal harbors by 1.4 million metric tons. New development was made in building urban infrastructure.

Domestic and foreign trade was constantly expanded. The market in the province was prosperous and brisk, and the commodity retail sales totalled 41.8 billion yuan, up 17.5 percent from 1986. Of those sales, intermediate-grade and high-grade goods increased by a big margin. The means of production for agriculture sold very well. The total volume of export trade was \$2.115 billion, up 23.4 percent from 1986. While the export of light industrial goods, textiles, agricultural, and sideline products and special local products continued to increase, the export of machinery and electric appliances rose 62.6 percent as compared with 1986. Village and town enterprises made rapid development in the production of export goods. The province purchased goods for export amounting to 3 billion yuan, a 70 percent increase over 1986. The province also increased its nontrade foreign exchange income by a big margin, and made new developments in contracting for foreign projects and in providing cooperative labor services to foreign countries.

The financial situation was good. All localities exerted themselves in exploring and making better use of financial resources in an effort to support production, facilitate reform, and develop various social undertakings. Thanks to our keen attention paid to both major income units and major subsidized and deficit units, a total of 17 counties (cities and suburban districts), 3 more than the previous year, collected over 100 million yuan in revenue last year while 13 subsidized counties increased their revenues by 15.4 percent. The total provincial revenues

were 10.71 billion yuan, topping 1986 by 7.5 percent and fulfilling the annual target. The expenditures, which were brought under control, rose by 2.7 percent over the previous year. With the expanded services by banking departments, savings in banks and credit cooperatives rose by 19.3 percent, and loans issued by them grew by 19.6 percent over the previous year.

2. Scientific, educational, and other undertakings have further advanced.

The focus of scientific and technological work has been gradually shifted to serving economic construction. A multi-level scientific research and technology development system specializing in various subjects and comprising independent large and medium-sized research institutes and technology development agencies, those affiliated to schools of higher learning and those run by enterprises or individuals, has taken shape in Jiangsu. A total of some 1,200 scientific and technical projects received awards at and above the provincial level. Of these, over 300 have reached the advanced level at home or abroad and 80 percent have been applied to practical use. The application of microelectronics and computer technology to the upgrading of traditional industries has already yielded remarkable economic results and facilitated the integration of electrical and mechanical engineering industries and meters industry. The initial applications of laser technology, information technology, and bioengineering have paved the way for developing high technology industries. The implementation of the "spark" program has invigorated and accelerated the development of the rural economy. Over 60 percent of the 61 projects sponsored by the state and the province under the program have been put into production, resulting in the improvement of labor productivity, product grades and quality. We have also trained a large number of rural youths for village and township enterprise managerial personnel, building up their knowledge of science, technology, and modern management skills. Encouraged by the reform of science and technology management systems, scientific research institutes have further oriented their work to serving the economic and social development and thus enhanced their capabilities for self-development. Over 200 research and production associations of various types have emerged in Jiangsu and they have set up a number of pioneering scientific and technological factories. Some research institutes have taken a step forward to integrate science and technology with industry by forming groups or associations of enterprises. The reform of the management system of scientific and technical personnel has facilitated a rational flow of scientists and technicians. Various activities of technology markets, technological consultancy, and technical services have accelerated the process of transforming the fruits of scientific and technical projects into productive forces. With a view to gradually reorganizing the contingent of professional personnel and further harnessing their enthusiasm in serving socialism, all provincial institutions and some enterprises have launched the work of evaluating job

titles and some 210,000 scientists and technicians received specialized job titles. The enforcement of the Patent Law, Measurement Law, and Technical Contract Law and the introduction of standardization have accelerated technological progress in production.

We have educated various talented people in building socialism. Along with the deepening of educational reform, schools of various types have flourished at all levels. Through tapping potentials, setting up joint campuses, or commissioned training, institutes of higher learning have increased enrollment, broadened the channel for training specialized personnel, and trained large numbers of graduates in various fields. As a result of restructuring college specialties and granting greater autonomy to colleges and universities regarding teaching programs, research, enrollment, and job assignments, the quality of education has been further improved. The consolidation and perfection of a new system of setting up schools and managing them at different levels has harnessed the initiative of various quarters as well as individuals in running schools. Marked progress has been made in restructuring secondary education, with the ratio between the enrollment of secondary specialized, technical, and agricultural vocational middle schools and that of ordinary senior middle schools becoming more rational. A network of adult education of all kinds has also taken shape. With the focus of education for workers and peasants being shifted from basic knowledge to technical training for various jobs, the quality of the labor force has improved.

Advances have also been achieved in culture, public health, and sports. In cultural work, we have further implemented the principle of "letting a hundred flowers blossom and a hundred schools of thought contend" and adhered to the correct political direction in promoting literature and art. Through consolidating newspapers and periodicals, we have tightened controls over cultural markets. The contingent of public health personnel has been expanded and the number of hospital beds increased. The mass patriotic health campaign has been continued and the 3-level medical and health network in rural and urban areas improved, thus building up the capacity to prevent disease. Sports and physical cultural activities have been extensively carried out in cities and villages and the technical level of sports teams has improved. Four athletes from Jiangsu won three world championships, five set four Asian records on seven occasions, and two broke three national records on four occasions.

3. The people's living standards have improved to some extent.

As production developed and job opportunities increased, the income of most of the people increased. Per capita net income in the rural areas reached 620 yuan and that in the urban area hit 1,005 yuan, an increase of 10.5 and 10.3 percent respectively. Per capita savings deposits in both urban and rural areas topped

300 yuan, an indication that many people had some surplus income after meeting their food and clothing needs. The housing conditions of some of the people further improved with the completion of new residential buildings. The improvement in the supply of tap water and natural gas and the increase of commercial and service outlets and public transportation raised the quality of life of urban residents. Social security and welfare was given more emphasis, and the orphaned, the aged, and the disabled were cared for by the government and the general public. Work for the aged received greater attention. Population growth was controlled, thanks to the arduous work of the vast number of cadres and family planning workers and the positive response of the large numbers of couples in child-bearing years to government calls.

4. The building of the political power and the legal system has been further strengthened

After the separation of government administration from commune management and the establishment of township people's government, progress was made in ameliorating the situation characterized by the lack of a clear distinction between the responsibilities of the government and those of the enterprises at the grassroots level of the organs of the political power. Nine cities were established in place of the counties, and towns were set up or restored in 40 townships, thus speeding up the pace of urbanization. In addition, the structure of the villagers and residents committees was also improved.

The government legislation work has also been strengthened. The provincial government and the governments of Nanjing and Wuxi Cities drew up a number of rules and regulations, and a number of local statutes were promulgated after they were discussed and approved by the Standing Committee of the provincial People's Congress. Various localities continued their efforts to sort out all the rules and regulations, statutes, and regulatory documents promulgated since the founding of the People's Republic. The general inspection on law enforcement helped enhance the cadres' awareness of the need of abiding by the law in conducting official duties. Major progress was also made in popularizing the knowledge of law; and awareness of the legal system and sense of citizenship were further enhanced among the masses.

The continuous struggle against serious criminal offenses and economic crimes in accordance with the law has reduced the number of crimes. The multiple approach to public order has contributed to the improvement of social order and ethics.

While stepping up efforts to revolutionize, modernize, and regularize themselves, the PLA units stationed in Jiangsu actively trained dual-purpose personnel, supported local construction, and extensively launched activities to promote spiritual civilization. The Army launched activities to support the government and cherish the people while the government and the people

launched activities to give preferential treatment to families of revolutionary army soldiers and martyrs, thus further cementing the close ties between the army and the government and people. The building of armed police units and the militia was also strengthened.

Departments of foreign affairs, overseas Chinese affairs, nationalities affairs, religious affairs, and tourism, as well as patriotic personages in all walks of life actively contributed to socialist modernization, the development of economic, technological, and cultural exchanges, cooperation with foreign countries, and the peaceful reunification of the motherland.

Our achievements in all fields of work in 1987 were the result of the joint efforts of all the people of our province. Here, on behalf of the provincial government, I would like to extend to you, and through you, to all the workers, peasants, intellectuals, PLA commanders and fighters, and people's police, as well as people in other walks of life our sincere thanks and highest respect!

II. The Work of the Last 5 Years

The year 1987 was the last in the tenure of the current provincial government. In the last 5 years, we have upheld the line formulated since the 3d Plenary Session of the 11th CPC Central Committee. Under the supervision of the Sixth Provincial People's Congress and by relying on the people throughout the province, and by working hard in unity and blazing new trails, we have made considerable achievements in our socialist cause. The last 5 years were characterized by the continuous strengthening of reform and the gradual expansion of the open policy. It was a period in which the economy grew fast, society changed profoundly, and the people obtained more tangible benefits than during any other period. It was also a period of continuous strengthening of spiritual civilization and political stability and unity.

In these 5 years economic activities in our province have continued to expand, our economic strength has continued to increase, and the province's economic standard has been rising gradually. Let us take a look at the figures that reflect our economic scale and strength: If we compare 1987 with 1982, Jiangsu's total social production rose from 83.3 billion yuan to 221.9 billion yuan; its total industrial and agricultural output value increased from 73.7 billion yuan to 173.5 billion yuan; the gross provincial product rose from 39.2 billion yuan to 86.2 billion yuan; and the provincial income increased from 33.5 billion yuan to 75.3 billion yuan. This shows that the four comprehensive economic indexes have more than doubled. Moreover, the province's revenue went up from 6.6 billion yuan to 10.7 billion yuan, or an increase of 61 percent. Now let us take a look at the average figures that reflect our economic standard: In 1987 Jiangsu's per capita income was 1,365 yuan, or an increase of 1.1 times over that of 1982; the per capita income of the gross provincial product was 1,193 yuan in 1987, an increase of 1.2 times over 1982; the province's

per capita grain consumption was 513 kilograms, up 8.7 percent; the per capita industrial productivity was 21,746 yuan, up 43.8 percent.

In the past 5 years, in line with the actual conditions of Jiangsu we have made continual progress through explorations in carrying out reforms, opening to the outside world, and vigorously developing the commodity economy.

Concentrate on developing the social productive forces while focusing on economic development.

Governments at all levels have continued to shift the emphasis of their work. In tackling problems they have given first priority to developing the productive forces and then made the greatest effort to accomplish socialist modernization. They have conducted education to stress the importance of making agriculture the foundation and strengthened their leadership over economic work in rural areas. They have rationalized the industrial structure in line with the principles of stabilizing the development of primary industry, vigorously developing secondary industry, appropriately expanding tertiary industry while not neglecting grain production, and energetically promoting a diversified economy. They have made vigorous efforts to tap agricultural resources and to develop diversified undertakings, rural enterprises, and tertiary industry. Nearly 10 million rural people have shifted to non-farming work. With agriculture developing at a relatively fast pace, northern Jiangsu has become a new base for producing farm produce. As a result, a new rural economic setup characterized by an all-around development of agriculture, forestry, sideline production, fishery, industry, commerce, building industry, transportation services, and service trades has taken shape throughout the province. To develop the productive forces in rural areas, the masses of peasants, while having to face the difficulties brought about by the lack of investment in agriculture and mainly relying on their own strength and that of cooperative economy, on the one hand, have relied on industrial enterprises to support and develop agricultural production, pooled their funds to support agriculture and improve agrotechnical services, and adopted advanced technology that gave high yields and saved labor in vast areas of farmland. On the other hand, the peasants have followed the principle of accumulating the fruits of their labor. In the past 2 years they completed 600 to 700 million cubic meters of earthwork each year and kept farmland water conservancy construction at a reasonable scale. Some economically developed areas are making an exploratory study to determine the appropriate scale for agricultural production. The present productive fixed assets of the province's rural areas amount to 27 billion yuan. In line with the principle of developing light or small industry and processing industry, which suits Jiangsu's conditions, these areas have been developing readily marketable consumer goods to meet the increasing demand of the people. At the same time, they have tried to develop

such basic industries as machinery, electronics, petrochemical, and building materials, thus establishing a number of large key enterprises and further improving the structure of industry. In the past 5 years, because our province has concentrated its investment in key projects involving energy, raw and semi-finished materials, and transportation services, it has completed or partially completed the following large and medium-sized projects: the Yangzi Ethylene Complex, Yizheng Synthetic Fiber Plant, the Jianbi Electric Power Plant in Zhenjiang, the Xuzhou Electric Power Plant, and the Datun Coal Mine. During this period electric power generating capacity increased by 2.4 million kilowatts, approaching the total of the past 30 years. The loading and unloading capacity of Jiangsu's river and sea ports has reached 100 million metric tons. The traffic capacity of the northern Jiangsu section of the Beijing-Hangzhou Canal has increased considerably, and initial progress has been made in modernizing the province's posts, telecommunications, and communication services. In the past 5 years marked advances have been made in technical transformation, while total investment by state enterprises amounted to 12.2 billion yuan, topping that in the previous 5 years by 2.6 times. The development of social productive forces has laid the foundation for invigorating and boosting Jiangsu's economy. Of course, we relied mainly on the exploitation and utilization of resources and on increased funds and manpower to develop the province's economy in the past 5 years. That is the first step we have taken to lay the foundation in the process of achieving industrialization and commercializing, socializing, and modernizing production. In the future we should lay emphasis on relying on advances in science and technology, on adopting advanced science, technology, and production equipment; we should introduce scientific management and strive to raise workers' educational level and working skills.

Persist in taking reform as the motive force to promote the development of a planned commodity economy.

The greatest obstacle to the development of commodity economy is the trammels of a rigid structure formed over a long time. Only by reforming the old structure can we promote the change of planned economy toward a planned commodity economy. In the last few years, the reform of the economic structure in the province has extended in an all-around way from rural areas to urban areas, from the realm of production to the realm of circulation, and from the economic base to the superstructure. The reform has added new vitality and vigor to economic development. In rural reform, we have gradually perfected the output-related system of contracted responsibilities, improved service to peasants, and strengthened the two-tier management system of "integrating unified management with separate management." Townships and villages have developed regional cooperative economic organizations and specialized cooperative economic organizations. After reform was carried out in the realm of production, we started the

second-stage reform as of 1985. The more comprehensive second-stage reform is mainly designed to reform the system of unified and fixed state purchase, decontrol the prices of some farm products, and at the same time further readjust the structure of production to gear production to market demand and promote the change of agriculture toward commodity economy. While rural state-run commerce and the supply and marketing cooperatives are reformed, the peasants have organized themselves to enter the realm of circulation, giving rise to agricultural service companies, diversified economy service companies, and special markets of varying forms. In rural banking reform, agricultural banks and credit cooperatives have improved their operation and service, and nongovernmental credit organizations, such as peasants' cooperative funds and agricultural and economic service companies, have emerged as the times require, playing a supplementary role. Village and town enterprises have generally practiced the "one contract, three changes" experience — implementing the system of contracted economic responsibility, changing the cadre appointment system to hiring system, changing the workers recruitment system to the contract system, and changing fixed wages to floating wages. They have set up the new system of "integrating unified management with separate management with the factory as the basis" and further promoted the system of contracted responsibility in all fields. While the dominant role of collective economy is becoming stronger, rapid development has also been made in the individual sector of the economy. In Jiangsu's rural areas, there exists the collective economy as the main sector, and also other economic sectors, and economic operations of varying forms at the same time. Our rural economic structure calls for taking agriculture as the foundation and industry as the leading factor and an all-around development of primary, secondary and tertiary industries. Under the guidance of the state plan, the rural areas have introduced an economic operating mechanism with market regulation as its main feature. The rural reform has forcefully promoted urban reform. The urban reform is focused at invigorating enterprises. It is also designed to invigorate circulation, banking, foreign trade, and urban districts and to enhance urban economic vitality. Large and medium-sized state enterprises have implemented the contracted managerial responsibility system of various forms. Some small enterprises have been contracted or leased out. Industrial enterprises at and above the county level have gradually implemented the system of the director assuming full responsibility to give more power to the plant director. Most enterprises have adopted the floating wage system, the piece rate wage system, and the wage system based on work quota, and begun to change the practice of "eating from the same big pot" prevailing in the relations of the enterprises to the state and in those of the workers and staff members to their enterprises. Our province had an early start in promoting lateral economic cooperation. We have made rapid development and preliminarily established comprehensive economic associations of various forms at various levels. We have formed a number of enterprise groups and associations

whose objective is to produce famous-brand products and which are engaged in specialized production and in development of technology-intensive products. We have thus effectively improved the ability of enterprises to increase output, improve quality, and develop new products, and enhanced their competitive power in market. With the development of commodity economy, we have accelerated the reform of the circulation system. We have gradually enlarged the scope of market regulation and developed various forms of commodity circulation. We have basically established a system of multiple economic forms, multiple operational ways, multiple circulation channels, and fewer management links. We have also established a number of markets for essential factors of production, such as means of production, capital, technology, and labor service, in or near urban centers. Special trade markets of all kinds have developed rapidly, and with extensive purchases from and sales to faraway places, such markets have opened up new channels for commodity circulation. A pilot program on comprehensive reform in large and medium-sized cities was carried out in Nanjing and Changzhou, while reforms on the banking system, capital goods market, medium-sized city organs, enterprise contracted managerial responsibility system, and housing system were respectively tried out in Nanjing, Suzhou, Wuxi, Changzhou, and Zhenjiang. We also took important steps in exploring ways for reforming the pricing, wage, and labor systems in accordance with unified state arrangements. With the implementation of the new system under which the city exercises jurisdiction over surrounding counties, we have strengthened the functions of cities and further harmonized the relationship between industry and agriculture and between urban and rural areas. Along with the growing exchanges between urban and rural areas and inter-regional economic, cultural, and scientific and technical ties, barriers between departments and regions have been removed, and new socialist economic operational mechanisms formed. Practice has shown that reform is the powerful motivating force for promoting prosperity in the economy and stimulating social progress, and that what we have already achieved should be attributed to the reform. In coordinating reform with development, we must, on the one hand, gradually rationalize the relationships between various economic sectors by striking a balance between total supply and demand so as to ease strains on the economic life and create a more relaxed environment for the reform; while, on the other hand, we must make the reform better serve the economic construction by taking into consideration the capabilities of all sectors to withstand pressure so as to facilitate the reform and a steady economic growth.

**trive to increase foreign exchange earnings and
accelerate the pace of opening to the outside world.**

The open policy is a strategic policy decision of the party Central Committee and the State Council, as well as an objective demand for intensifying the process of large-scale socialized production, raising the scientific and

technological level, and promoting the economic construction of Jiangsu. Taking the advantages of our coastal region and a relatively developed economy, which are rather appealing to other countries, we have concentrated our efforts to increase foreign exchange earning in recent years by continuously opening Jiangsu, to varying extents, to the outside world: Nantong and Lianyungang have been designated as coastal open cities, and Suzhou, Wuxi, Changzhou, and their surrounding counties and satellite industrial towns as open economic zones, while Nanjing, Zhenjiang, and Yangzhou are entitled to some preferential treatment for the open zones. The Lianyungang, Nantong, Nanjing, and Zhenjiang Harbors have also been successively opened. With only one-fifth of the province's population, these open areas produce more than one-half of the industrial and agricultural output value, and deliver about 60 percent of the financial revenues. We have developed our contacts with over 130 countries and regions from mainly commodity trade at the provincial level alone to comprehensive cooperation in capital, technology, and equipment as well as extensive economic, cultural, and specialized personnel exchanges at various levels and through different channels. Foreign trade has increased by a big margin, with the volume over the past 5 years totaling US\$8.3 billion, more than double that of the previous 5 years. Village and township enterprises have emerged as a new force in the export business. More foreign capital and advanced technologies have been induced into the province. As of 1987, 1,002 projects utilizing a total of US\$590 million had been approved; 194 joint ventures and cooperative enterprises set up; and nearly 2,000 advanced technologies imported at a total cost of US\$1.2 billion. All these have accelerated the technological progress in Jiangsu. Construction of the Nantong and Lianyungang Economic and Technical Development Zones has proceeded smoothly. Progress has also been achieved in reforming the foreign trade system, with more powers delegated to cities in exportation and the use of foreign capital, which have fired the enthusiasm of grassroots units and enterprises in trying to earn more foreign exchange. We have increasingly become aware of the fact that in speeding up the opening process and developing an export-oriented economy, it is imperative to further emancipate the mind and foster an urgent sense of openness. Before the old system is totally discarded and a new one established, we must dare to do away with outdated rules and regulations that impede the expansion of productive forces and which cannot help develop an export-oriented economy by working out realistic policies and measures and making good use of the government's preferential policies and of favorable international environment in going all out to break into the international markets, develop and improve ourselves, and achieve a breakthrough in opening Jiangsu to the outside world.

Persist in relying on the cadres and broad masses of people and harness the enthusiasm at all level in developing the economy.

As Jiangsu is a coastal province, the cadres and broad masses of people have a relatively strong awareness of commodity economy, the courage to explore, and the

creativity to effectively apply the central authorities' principles and policies in the light of reality in the province. Along with the strengthening of reform and further opening to the outside world, we have enhanced our sense of urgency and responsibility for developing the economy and have demonstrated a higher degree of enthusiasm and pioneering spirit in construction. We have proceeded from the reality in each locality in exploring ways for developing its economy by making the best possible use of favorable conditions and avoiding the unfavorable, thereby training a contingent of managerial personnel and entrepreneurs. Among the useful experiences accumulated by various localities are measures taken in southern Jiangsu to develop agriculture at a suitable scale, introduce "one contract and three reforms" to village and township enterprises, and support and build up agriculture with industry. In central Jiangsu, measures have been adopted to promote balanced development of agriculture, sideline production, and industry by encouraging farming, aquatic breeding, and processing industry at the same time. There are also measures taken in northern Jiangsu to exploit natural resources, set up agricultural commodity production bases and courtyard economy [ting yuan jing ji 1656 7108 4842 3444], and develop industries run by individual townships, villages, and households, or jointly by several households. As for the "three reforms and one combination" in reforming enterprises, and other measures for constructing rural towns and developing special trade markets, they have been fully affirmed, protected, supported, and extensively publicized by local governments at different levels. Practice has shown that when the cadres and broad masses of people are encouraged to take the initiative to participate in economic development and when their interests are closely linked to those of the economic growth, they will display their creativity as the masters of their own in adopting measures suitable for each locality to promote a commodity economy, thereby becoming the mainstream in expanding the productive forces.

Persist in building the two civilizations simultaneously and foster advanced ideas and mental outlook.

In building socialism with Chinese characteristics, it is essential to create not only a highly-developed material civilization but also a high degree of spiritual civilization. In building the two civilizations simultaneously, all localities must conduct education, in various forms and according to actual work in different periods, on the situation and policies, ideals and discipline, and vocational ethics; further strengthen education on upholding the four cardinal principles and persisting in the reform and open policy, and unfold in-depth education on the basic line in the initial stage of socialism. They should also build closer ties between the masses and their leaders and do a good job in ideological and political work through conducting dialogue, so as to fire the enthusiasm of cadres and broad masses of people in building socialism and to enhance their sense of responsibility for political stability and unity. In view of the

penetrating changes experienced by people in their ideological and mental state, it is necessary to step up cultural construction while intensifying the ideological work. Satisfactory progress has been made in promoting education, science, literature and art, press and publications, public health, sports, and other undertakings. Schools of all kinds and at all levels have increased in number. Over the past 5 years, financial revenues spent at the provincial, city, and county levels on education amounted to some 7 billion yuan, topping the previous 5 years by more than 200 percent. Over 200,000 students graduated from schools of higher learning, an increase of 120 percent over the previous 5 years. The secondary vocational and technical education has advanced fairly rapidly. Primary education is basically universal throughout the province, while junior middle school education is universal in cities. Scientific research institutes at the county level and above have expanded, and the number of scientific and technical personnel of the provincial level institutes increased from 360,000 in 1982 to 630,000 last year. They completed more than 5,000 research projects in the past 5 years. Writers and artists have created a number of works depicting the times and encouraging people to strive for progress. Cultural halls (stations) have been built in all localities. Publication of newspapers, periodicals, and videotapes has multiplied. We have learned from our practical experience that without paying keen attention to building socialist spiritual civilization, our reform and opening and economic construction will deviate from the correct track, and will be devoid of the spiritual motivating force and the guarantee of capable people, and that only by integrating into the reform and opening and economic construction can the building of socialist spiritual civilization find a solid foundation. Along with the strengthening of the reform and opening, the people's thinking will become more lively and the national spirit liberated; but drastic changes in the economic relations will also bring along all sorts of contradictions to our economic life and will, together with the inroad of feudalism and capitalist decadent ideas, affect the people's thinking. In this light, it is all the more important to ensure success in building spiritual civilization.

While noting our achievements in recent years, we must also consider new circumstances and problems as well as difficulties on our road of advance.

First is the problem concerning stable agricultural production. In recent years, commodity prices in markets have been affected by sluggish increase in grain output, slow recovery of cotton output to the previous level, and short supply of pork and other nonstaple foodstuffs. The crux of this problem lies in the irrational pricing system and relatively low benefit of producing major farm and subsidiary products. At the same time, it also lies in decreased input to agriculture, wanton use of farmland for other purposes, shortage of agricultural production means, and our incapability to achieve a breakthrough in applying advanced science and technology to further boost the per-unit yield, which is already relatively high.

Therefore, to increase agricultural output remains a formidable task to us. As far as our work is concerned, problems in agriculture have been caused by our failure to promptly take effective measures to resolve difficulties after the rural economy developed to a new stage.

Second is the problem concerning the economic efficiency of industry. After a drop in some indexes in the previous 2 years, economic efficiency of 1987 improved, but the performance of industry as a whole remains uneven and unsatisfactory. As Jiangsu's industry consists mainly of processing industries, the production cost has increased considerably following the introduction of the "double-track system" to the pricing of production means. At the same time, the burdens on enterprises have become heavier as they have to raise funds for promoting social undertakings, increasing the wages and bonuses for workers and staff, and making other ends meet. Moreover, the shortages of energy and raw and semifinished materials have made it difficult for enterprises to carry on normal operations. All of these have directly affected the economic efficiency of enterprises. On our part, we have concentrated the work on expanding the scale while paying little attention to helping enterprises improve the management, upgrade technology, build up the capability to assimilate advanced technology, and raise labor production since cheap labor forces and raw and semifinished materials are no longer available to them.

Third is the problem of commodity prices in markets. In recent years, market prices were unstable as reflected in the spiral price rises and drastic increases in retail commodity prices. As the shortage of nonstaple foodstuffs worsened, the masses of people strongly resented the strain which they could no longer withstand. In order to stabilize market prices and protect the interests of producers, dealers, and consumers, local governments at different levels have done tremendous work to actively support the production and increase the supply. Despite financial strains, subsidies for prices and deficits, totaling 7.6 billion yuan in the past 5 years, have been given to grain, edible oil, meat, vegetables, coal for everyday use, oil for making soap, and pigskin for making leather. Moreover, the wages of workers and staff have been successively readjusted, and subsidies for meat have been issued to urban residents. However, the problem has not been completely solved. In summarizing the experience and drawing lessons, we have become aware that this problem has been caused by our failure to foresee the complexity of the whole pricing reform and clamp down on artificial price rises, as well as by the imbalance between total supply and demand in the macroeconomy.

Fourth is the problem concerning social undertakings. Despite advances made in Jiangsu's scientific, educational, cultural, public health, and sports undertakings, they still cannot cope with the economic development and meet the growing needs of the masses of people. We have increased our annual spending, but mainly on

personnel expenditures; and little has been spent on expanding the establishments. In addition to the limited local financial resources, this problem is also caused by our failure to attach due importance in our thinking to developing social undertakings.

By and large, we have not liberated our thinking sufficiently and have failed to make bold exploration under the new situation. Outdated forces of habit and concepts remain trammels shackling our minds and impeding the progress of reform and opening. We are lagging behind some provinces and municipalities in daring to make innovations, keeping ourselves abreast of changes, and creatively implementing the principles and policies of the party Central Committee and the State Council. We have also failed to adapt our work style and methods to the requirements of the new situation, thoroughly familiarize ourselves with major issues, and adopt flexible policies and effective measures. Hence, it is necessary to summarize the experience and draw lessons, face up to difficulties and problems in our work, and earnestly transform our ideology and style.

III. The Strategy For Economic Development in the Days to Come

Our objective of economic development in the years to come is to fulfill the second step of economic development outlined in the strategic plan adopted at the 13th CPC National Congress. When that objective has been achieved, Jiangsu will have become a relatively prosperous province with a relatively developed commodity economy, a rather rational industrial structure, and relatively advanced science and technology. By that time, great advances will have been made in Jiangsu's modernization: There will be a marked improvement in economic results in society, labor productivity, and quality of products; the province's gross output will be doubled again; in the main areas of industry Jiangsu will be fairly close to the technological level reached by the economically developed countries in the early 1980's; and in agriculture and other sectors of industry the technological level will also be noticeably higher. Senior middle school education will have been made universal in cities and towns; junior middle school education in rural areas. The gap between cities and the countryside will have been further narrowed, and people will be able to lead a fairly comfortable life ahead of other provinces. In our effort to achieve the objective of the second step we shall find our province blessed with a good foundation. Thanks to the rapid economic growth, the deepgoing reform, and the expansion of opening up since the 3d Plenary Session of the 11th CPC Central Committee particularly during the past 5 years, our province has entered a new stage in its economic development: The machine-building industry remains in a dominant position with the proportion of secondary industry (excavation, manufacturing, and the construction industry) accounting for more than 50 percent of province's gross products. Our province has already developed a relatively large modern industry which is complete in range

and has laid a foundation for such modern industries as synthetic materials and electronics. More than 60 percent of the work in industrial production is done by semimechanized, mechanized, or automatic operation. Considerable progress has been made in the integration of urban and rural areas, with cities as the centers and the countryside their base. All in all, the level of our productive forces is still relatively low, returns on our economic activity are not very high, and economic development between different regions is not balanced. To attain a new level of economic development, we must bring about a transition in the strategy for economic development as quickly as possible. On the basis of research the province has come up with a basic design of economic strategy: Persistently focus on improving economic results, consolidate and develop the agricultural foundation, promote an export-oriented economy, achieve breakthroughs in science and technology, constantly rationalize the industrial structure, and gradually shift the emphasis from extensive management to intensive management and from a domestically oriented economy to an export-oriented one. To achieve this development strategy, we must grasp well the following key points today and in the days to come:

Develop an export-oriented economy. Our industrial structure is based on processing industries, relying on the outside for both raw materials and market. This inevitably gives rise to the contradiction of scrambling for raw materials and markets with the inland provinces. We must genuinely shift the focus of competition from other provinces to the broad international marketplace. The ongoing worldwide technological revolution is bringing about an industrial transition. The readjustment and increasing internationalization of the world economy, the devaluation of the U.S. dollar, and the global stock market upheavals have brought about new changes in international relations. We must take advantage of the favorable circumstances abroad, that is, plentiful capital, labor shortages, the transfer of huge capital, and the shift in the production of primary products; and go with the tide of the times by making brave inroads into the international market. We must actively take advantage of international exchange and division of labor and learn from others' strong points to offset our weaknesses. As for the economic formation, we should accelerate the transition to an export-oriented economy and guide and promote the province's economic development. In developing an export-oriented economy, we should focus on earning foreign exchange through export, actively import advanced technology, and shift the emphasis of technology import to assimilating and developing imported advanced technologies and accelerating the application of them at home. We should boldly utilize foreign capital and develop the three kinds of enterprises that are either partially or wholly foreign-owned. Efforts should be made to readjust the export structure, actively develop export-oriented industries and products that are competitive and can bring high economic returns, and vigorously improve the quality of export commodities. Greater efforts should be made to develop a system of

export-oriented production and an externally oriented operation and service network and open up new markets in different parts of the world. It is also necessary to make good use of Jiangsu's abundant and cheap labor force and other resources, particularly the flexible mechanisms and pioneering spirit displayed by village and township enterprises, as reflected in their ability to promptly manufacture and deliver small batches and diversified kinds of export commodities, and, after careful planning, vigorously promote the exportation of labor-intensive products by processing and assembling materials supplied by foreign firms and engaging in compensatory trade—that is, to support exportation with importation, thereby joining the global economic circulation. Efforts should be made to gradually open Jiangsu, starting with the open coastal cities and open economic zones and moving to other areas until the whole province is open to the outside world. In order to attract more investors from abroad, special attention should be paid to making the Nantong and Lianyungang Open Zones genuine open showcases by offering a better investment environment, implementing preferential policies, and improving the laws governing business relations with foreigners. By exerting efforts in various fields, we will be able to set up an open and export-oriented economy fanning out in two directions before the end of this century.

Give prominence to scientific and technological advances. Science and technology have become vital and decisive factors in modernizing productive forces. Whoever is more advanced in science and technology will be the winner in the fierce economic competition of the modern world. Therefore, it is necessary to inject scientific and technological advances into all aspects of the economic and social life by making more scientific policy decisions in management and raising the scientific, technical, and cultural standards of all people. Efforts should be made to ensure that science and technology are oriented toward economic construction and that scientific and technological advances are promptly applied to economic production. Efforts should also be made to integrate technological progress into reform and opening, so as to set up a mechanism that encourages technological progress. In order to shorten the length of time between the achievement of research results and their application to production and construction, it is necessary to adopt diverse measures, including establishing and expanding technology markets, encouraging the integration of scientific research and production units, and facilitating the study of development by enterprises, especially large and medium-sized enterprises and groups of enterprises. By so doing we will be able to gradually set up research and development systems that offer scientific and technological services, that train skilled personnel, and that can keep abreast of economic growth and we will be able to modernize the technology and equipment of industries devoted to large-scale production. It would be difficult for us to accomplish technological progress and modernization without developing the education and training of skilled personnel.

Herein lies the basis for advances in science and technology. Therefore, we should attach great importance to educational undertakings of all kinds in order to train a mammoth contingent of capable personnel specializing in various managerial and technical fields of economic and social development.

Optimize the structure of production. The key to attaining good macroeconomic results lies in formulating a rational industrial policy and optimizing the structure of production. Jiangsu's industrial policy is aimed, first, at accelerating the process of socialized production by readjusting the irrational structure of production and, second, at rationalizing the structure of production with broad prospects abroad by actively utilizing international resources and taking part in international division of labor. In achieving these aims, it is necessary to apply the mechanisms of marketing and various economic levers. In the near future efforts should be made to coordinate various specialized departments, formulate policies concerning various industries, and clearly define the scale and economic targets of various industrial enterprises. It is necessary to pay attention to raising the technical standards of small enterprises, including numerous village and township enterprises, and create the conditions for developing specialized production undertakings. At the same time, while opening Jiangsu wider and deeper to the outside world, it is necessary to promote scientific and technological advances by developing an export-oriented economy, so as to lay the framework for rationalizing the structure of production. It is necessary to rationalize the geographical distribution of production according to the strategic principle on "actively improving the economy of southern Jiangsu and accelerating the economic development of northern Jiangsu" and adopt various policies suited to different regions, in order to gradually set up a rational geographical distribution of industries.

Consolidate and raise the foundation of agriculture. To develop the export-oriented economy, make remarkable progress in the field of science and technology, and optimize the structure of production, we must consolidate and raise the foundation of agriculture. From now on, the fundamental guiding ideology in developing rural economy in the province is to "deepen reform, enhance vitality, increase investments, and expand capacity for future economic growth." While ensuring the steady growth of grain crops and cotton, we must vigorously develop natural resources and accelerate the transfer of manpower to the countryside. We must actively develop diversified economy and town and village enterprises and strive to increase exports in order to earn more foreign exchange. We must rely on scientific and technological progress to promote modernization in agriculture and steadily develop our rural economy over a protracted period, with emphasis on improving economic results. We should mainly rely on the strength of the state and the whole society to materially and technically increase our investments in agriculture; gradually

improve our facilities in terms of supplies and technology; and help peasants raise their standards of science, technology, and culture. We must increase productivity, speed up the construction of the agricultural infrastructure, and do a good job in harnessing rivers and improving soil fertility and other production conditions. Efforts must be made to develop industries in support of farming, provide better services for agriculture, and farm on an appropriate scale. We must cherish land, strengthen land management, and use land frugally and in a planned manner. It is essential to accelerate our development of all beaches, water surfaces, ponds, and hilly areas. We must turn out more nonstaple foodstuffs and increase supplies to the market. We must build base areas for exporting our farm products in order to earn more foreign exchange. We should increase our earnings in agriculture and strengthen future agricultural development.

Firmly strengthen population control and environment protection. Population control, environment protection and ecological balance are important issues involving overall economic and social development. Tremendous achievements have been made in planned parenthood during the past 5 years. The annual rate of population growth in the province is .82 percent. This percentage is lower than the nation's average of 1.24 percent. Jiangsu's population now accounts for 5.88 percent of the national population, as opposed to the 6 percent in the past. Right now, marriage and childbirth have risen to a peak in the province, and it is fairly difficult to promote planned parenthood. We must place our emphasis on the countryside and strengthen our control so that the childbirth rate in the province will not exceed the target set by the government.

In the last 5 years, governments at all levels attached importance to environmental protection, and the escalating problem of environmental pollution was alleviated. The rate of increase in the discharge of industrial waste water was demonstrably lower than the rate of increase in industrial output value. The amount of waste water discharge per 10,000 yuan of output value dropped sharply. Water pollution by heavy metal was on the main brought under control. Pollution by toxic matters, such as phenol and cyanides, did not noticeably take place. Water quality in the Changjiang and in the Taihu was basically good. The atmospheric dust pollution coefficient decreased, gradually reducing the danger of dust pollution. Traffic noise on the main roads of some cities was somewhat lowered. Generally speaking, however, environmental pollution in this province is still quite serious and constantly becoming worse. It still requires us to make extremely great efforts to fundamentally improve the environmental conditions in the province. We should maintain a proper relationship between economic development and environmental protection, pay more attention to supervision, management, and overall improvement of environmental conditions, and establish and improve the environmental management system. The "three simultaneous jobs" regulation must be

enforced in the course of building, rebuilding, and expansion projects to exercise strict pollution control. We should continue to seriously correct the water pollution in the great canal in southern Jiangsu, the Kuihe in Xuzhou, the Qinganhe in Huaiyin and the Qinhuaihe in Nanjing. We should further implement the principle that "whoever causes pollution should deal with it," and do a good job in eliminating main sources of pollution. We should implement the atmospheric pollution prevention and control law, and strive to attain the "smoke-free" objective for all cities in the province by 1990.

IV. Suggestions on 1988 Work

It will take a fairly long time and much effort to achieve the strategic change in economic development, but we must start the effort now. The year 1988 is the first year in which we will implement the guidelines of the 13th CPC National Congress in an all-around way, and a crucial year for us to implement the Seventh 5-Year Plan, as well as an important year for us to accelerate and strengthen the structural reform. In this year, we must seriously study and resolutely implement the basic line of the initial stage of socialism, conscientiously adhere to the basic principle for economic construction, economic restructuring and reform of the political structure, further stabilize the economy and further strengthen reform.

In economic work, we should strive to improve supply, restrain demand, pay attention to efficiency and quality, stabilize the economy, and stabilize commodity prices. Our major planned targets are as follows: To increase the gross provincial product by 7 percent over 1987; to raise agricultural output value 3.5 percent, industrial output value 8 to 10 percent, labor productivity 6 to 8 percent, provincial revenue 5 percent, foreign exchange earnings from export 10 to 14 percent, and retail commodity sales 15.7 percent; to keep the market retail commodity price index under the government-set ceiling; to increase the people's actual income with the development of production and with the improvement of economic results; and to continue to do a good job in family planning and keep natural population growth rate under 11 per 1,000.

1. Steadily Developing the Economy

The party Central Committee and the State Council have put forward the principle of further stabilizing the economy. Major measures are to reduce expenditure and credit, control the scale of capital construction and the increase of consumption funds, stabilize the economy and commodity prices, and keep a steady growth of production. This is a positive principle, as well as an important step to implement the guidelines of the 13th national party congress. We must resolutely implement it in consideration of the interest of the whole country. The policy of curtailment adopted by the state is neither a stagnation nor retrogression. It is for a long, steady, and sound development. The curtailment is not done indiscriminately. It is designed to integrate the control of

total amount with the readjustment of structure. We should enhance vitality in the course of curtailment, seek development amid difficulties, turn pressure into a motivating force, and do our work in a down-to-earth way.

It is necessary to make great efforts to ensure good agricultural harvests. In order to stabilize the economy and commodity prices, we must first stabilize agriculture. We should emphasize steadily increasing the grain output, actively restoring cotton production, increasing pork and vegetable supply to urban areas, and expanding export trade. We should stabilize the area of grain crops, increase the area of cotton, and strive to produce 33 million metric tons of grain and 500,000 metric tons of cotton annually under a normal situation. We should persistently implement policies for supporting grain and cotton production, and study and formulate procedures for various levels to fulfill grain purchase, marketing and transfer quotas and overall grain and cotton quotas. We should seriously uphold the "three links" policy, and encourage cooperation and association between cotton processing bases and cotton growing bases. We should encourage pig breeding by ordinary families and large-scale pig breeding by specialized households, rationally readjust buying and selling prices and reward policies, and improve fodder supply. In vegetable production, we should work out a good plan, ensure vegetable-growing area, and improve cultivation methods. We should exploit reserve resources, properly raise multiple crop index, and develop courtyard economy and three-dimensional agriculture [li ti nong ye 4539 7555 6593 2814] in order to develop a diversified economy and the production of aquatic products, poultry, eggs, and milk cows. We should accelerate the development of the old riverbeds of the Huanghe and the Lixiahe, coastal beaches, and hilly regions. In the production of chemical fertilizers and agricultural chemicals, we should carry out technological transformation to increase their outputs and improve their quality. We should start the transformation projects for four small urea plants and three small ammonium phosphate plants this year. We should surely solve the problem of shortage in the raw materials for making herbicides and germicides. We should increase the production of the four kinds of small farm machinery and tools, and increase the supply of plastic sheets for agricultural use. We should improve the service system and provide better service to the peasants before, during and after production. We should adhere to a principle of "building at various levels and funding by various levels" to step up the construction of key water conservancy projects so as to enhance our ability of resisting serious natural disasters.

It is necessary to develop the production of marketable industrial products. In industrial production, we should stress efficiency, improve quality, readjust product mix, and strive to increase output and income. We should surely prevent and overcome the malpractice of reducing [ya 1090] output value and unduly seeking high speed [as published]. We should make great efforts to develop the production of good-quality and famous-brand goods,

export goods and new products, and reduce the production of goods of excessive supply and unmarketable and overstocked goods according to market demand and trends. For the production of different products, different arrangements should be made with regard to energy, raw and processed materials, funds, foreign exchanges, labor and transportation. Great efforts should be made to promote the technical progress of enterprises, further improve their management, and raise their technological and management levels. While energetically developing the production of consumer goods, we should continue to pay attention to energy, raw and processed materials, and other basic industries and strive to develop products that combine mechanical and electrical machinery and instruments, and high-technology products. Village industries should strive to improve quality, technology, and management, increase production scale, create good products, earn foreign exchange, improve economic results and maintain a steady growth. Localities where industry had a late start and weak foundation should continue to adopt proper policies and measures in consideration of local conditions to develop various village enterprises, household-run enterprises, and enterprises jointly run by more than one household. We should pay great attention to safety in industrial production and in transport.

It is necessary to readjust the pattern of investment in fixed assets. In controlling the size of investment in fixed assets, we should ensure that there are guarantees as well as restrictions. We should strictly control new projects and seriously reexamine the projects under construction. We should resolutely stop or suspend the construction of industrial enterprises if we are not sure that, after completion, their products are marketable, the supply of raw and processed materials and electric power is guaranteed, and they will not cause serious pollution. In urban construction, we should adhere to the principle of doing what we are capable of, and put the stress on building the infrastructure. We should improve the management of the investment in technological transformation, and maintain a proper size of investment and a rational investment pattern. We should resolutely guarantee the completion of major construction projects. While continuing to pay attention to building electric power projects, we should accelerate the development of transportation, telecommunications, and raw and processed materials industry, and the technological transformation of industry for agricultural use.

Efforts should be made to maintain the basic stability of market prices. Big and medium-sized cities should strengthen the construction of production bases for non-staple foods and develop appropriate-scale nonstaple food business in suburban areas to ensure the normal supply of meat, eggs, and vegetables, which are commodities required in large quantities. Counties and towns should also set up their own production bases for non-staple foods in an effort to achieve self-sufficiency. The leading role of state-owned commercial units and supply and marketing cooperatives in commodity circulation

should be brought into full play, while continued efforts should be made to mobilize the initiative in this regard of collective and individual-owned commercial units. In sum, all should work energetically to make available ample supplies for both urban and rural markets. It is necessary to seriously study and deal with the problems on market supply and demand and be concerned about the "vegetable baskets" of the masses [meaning fulfillment of their vegetable needs since people usually bring a basket when going to the vegetable market — FBIS]. In addition, we should strengthen the supervision over market prices and strictly control price hikes. In particular, it is necessary to step up the control and supervision over the prices of major means of production and a few daily necessities. We should strike at speculation and profiteering and ban such illegal acts as monopoly of certain trades and a few state-owned enterprises jacking up commodity prices and disrupting the market to protect the interests of consumers and the large number of enterprises.

We should make a real success of financial and banking work. This year the state has readjusted its financial relationship with local authorities by increasing the share of revenue received by the central authorities and reducing the basic figures of local expenditures. Accordingly, fulfilling our revenue and expenditure quotas would be a rather difficult task. All localities must take measures to increase income and cut spending to ensure the fulfillment of their respective revenue and expenditure quotas. The most fundamental way to boost income is to develop production, raise economic benefits, open up new revenue sources, and increase financial capability. Continued efforts should be made to grasp the work on counties with 100 million yuan revenue and counties requiring financial subsidies and to mobilize the initiative of various localities to open up new revenue sources. At the same time, it is necessary to strictly enforce discipline in dealing with financial and tax affairs, ban irrational increase of production costs and indiscriminate issuance of bonuses in cash or in kind, and step up the work of tax collection so that all tax payments due are received on time. All-out efforts should be made to cut spending. Except for the wages and bonuses for certain staff members and workers, price subsidies, repayment of principals of domestic and foreign debts, and payment of their interests, all other expenditures, including appropriations for capital construction, operating expenses, and administrative expenses, must be less than or roughly maintained at the 1987 level. All units in the province from the top down must do their utmost to carry forward the spirit of building up our country and do everything in a diligent and frugal way, persist in keeping expenditures within the limit of income, resolutely oppose the spendthrift style, misuse of public funds, extravagance, waste, and other unhealthy acts. Now the state has adopted the policy of strictly controlling credit loans, making it rather difficult to borrow money. To meet our financial requirements for key construction projects, industrial and agricultural production, and foreign trade we should try in every possible

way to increase the deposits with banks, go all out to develop insurance business, and open up new sources of funds through diverse channels. Continued efforts should be made to facilitate the flow of funds and promote the lending and borrowing of money between enterprises. To do this, we should open a secondary monetary market and encourage enterprises to enter this market in an organized way so as to enhance their capability of making funds available to meet their own requirements. In using funds, it is imperative to adhere to the principle of "dealing with each case on its merits and supporting the best projects." As for circulating funds, we should step up their management and, in conjunction with the signing of enterprise operations contracts, set up the standards for the reasonable quantity of commodities that an enterprise can carry in stock and the reasonable amount of circulating fund that it can hold up. Also, we should use credit loans as a lever to help enterprises accelerate the turnover of funds so as to use them more efficiently.

To maintain the stable development of the economy, we should continue to develop the campaign to increase production and practice economy and to increase revenue and retrench expenditure and link this "double increase and double economy" campaign with the implementation of the contracted managerial responsibility system. Targets for the "double increase and double economy" campaign should be set up, and all workshops, work shifts, work groups, and individual workers should do their best to fulfill or even overfulfill their respective quotas. In the "double increase and double economy" campaign, we should mobilize the masses in an indepth way and on an extensive scale, place emphasis on tapping internal potentials and raising economic results, and strive to increase production and revenue.

2. Accelerating and Strengthening Reform

This year our task of reform is to work toward the general objective of developing a socialist planned commodity economy, closely integrate economic structural reform with economic development and with the reform of the political structure, lay stress on implementing the contracted enterprise managerial responsibility system and perfecting the enterprise operational mechanism, and put in high gear the work of reforming the foreign trade structure to meet the needs of developing an export-oriented economy. At the same time, we should carry out supporting reforms in the fields of investment, supply, banking, finances, and taxes, gradually establish and foster a socialist market system, and intensify and improve macroeconomic control with a view toward achieving a sustained and steady growth of the national economy.

It is necessary to strengthen rural reform. In line with the principle of integration of urban and rural areas and overall planning, we should make rural reform part of our general plan for economic restructuring. We should

strive to improve economic organizations at the township and village levels to promote regional economic cooperation, and we should also strive to develop specialized cooperative economy through various forms. This will provide guidance to reform in various fields. We must continue to improve commodity circulation in rural areas, and encourage and organize peasants to get involved in it. We must make further efforts to reform the systems concerning the management of commerce, grain, and supply and marketing cooperatives, to reduce the number of intermediate links, and to improve the link between production and marketing. Agricultural banks and credit cooperatives should strive for breakthroughs in reform and promote the flow of funds among various sectors of cooperative economy. We must spread the contract responsibility system in business operations among rural enterprises and expand economic cooperation among them to invigorate them. We must improve the relations between different departments and different regions and carry out experimental comprehensive reform at the township level after successfully conducting comprehensive economic structural reform at the county level on a trial basis. We must accelerate the reform of state farms and continue the reform in the agricultural modernization experimental zones which has already been set in motion in some counties and cities in southern Jiangsu.

It is necessary to strengthen enterprise reform. We should further simplify administrative procedures, delegate powers to lower levels, and strive to improve the contracted responsibility system in business operations, the leasing system, and other forms of the system of business operations. We should strive to raise the success rate in business operation contracts while at the same time stressing quality and efficiency. We should provide appropriate guidance to the province's 150 or so large and medium-sized enterprises that have been contracted out and exercise control over them through different levels. After making careful analysis, we should assist a small number of troubled enterprises that have not been contracted out in solving problems concerning contracting. We should vigorously introduce the competition mechanism into enterprise contracting. This means the contract base figure and the hiring of managers should be determined by public bidding and inviting applications. We should draw up relevant regulations to gradually standardize, formalize, and legalize contracting, leasing, and stock systems, as well as other forms of business operations. At the same time, we should further enliven collective enterprises. We should also accelerate the spreading of the factory director responsibility system and the system under which the factory director is held responsible for the attainment of certain objectives during his or her tenure and under which the performance of the enterprise is subject to supervision through auditing at the expiration of the director's term. It is necessary to explicitly define the director's overall responsibility to the factory and overcome the mentality of seeking short-term interests. We should strive to successfully carry out other reforms within an enterprise, actively promote the

system of settling bank accounts within an enterprise, and gradually improve the operating mechanism within an enterprise. We should practice the distribution system of fixing the amount of basic wages and permitting piece-rate wages beyond the amount of fixed wages, and strive to solve the problem of "eating from the same big pot" within an enterprise. We should continue to encourage lateral economic cooperation, organize enterprises with strong financial capability into groups, and try out the stock system in a planned way. We should encourage and stimulate research and designing units to join enterprise groups to enhance their developing and logistic capability.

The reform of the investment structure. We should enforce a management method of combining responsibility, power, and interests, and strive to reform our current practice of resorting to administrative means, dividing money according to the subordinate relationships between different departments and regions, making policy decisions that will not incur any risks, and spending money without bearing any responsibility. The province is planning to establish funds for investment in fixed assets in order to turn investment companies into inter-trade, comprehensive, and competitive economic entities. We should encourage public bidding in capital construction projects, design, and other construction work to enhance the role of competition mechanisms of the market, raise investment efficiency, and raise the technological and managerial standards of the building industry.

Reform of the supply system. The main task in this field is to use economic interests to regulate the supply and demand of materials and gradually establish well organized and well guided markets for means of production with big and medium-sized cities as the center with a view to promoting the development of a planned commodity economy. The program for reforming the supply system started rather early in our province. On the basis of our experience, we should continue to energetically develop open-type and well-planned markets for means of production, eliminate unnecessary intermediate links, and further facilitate the flow of materials so that enterprises can obtain rather quickly from nearby markets the materials that by and large suit their requirements. Supply organs of provincial and city economic administrative departments should be kept stable so as to ensure the normal supply of various materials.

Reform of the foreign trade system. The general requirement is to quicken the pace of reform in the direction of bearing responsibility for one's own profits and losses, freedom of operations, integration of industry and trade, and popularization of the agency system. Our province has continued to test-implement the system of letting export enterprises be responsible for their own profits and losses in five kinds of companies, namely, light industry, industrial crafts, ceramics, garment, and knitwear companies. This year the state will implement the

contracted responsibility system in our province's foreign trade. After plans have been worked out, the provincial government will subcontract the task to the units concerned. Meanwhile, power for doing import and export business should be delegated to branch foreign trade companies in those cities and areas that are open to the outside world. Qualified foreign trade companies at county level, enterprises making products for export, and enterprise groups, after proper approval, should also be empowered to engage directly in foreign trade. In major industrial satellite towns, foreign trade service companies should be established in a planned way. In short, through reform, a multilayer and multiform foreign trade system should be set up step by step. We should at all levels arouse the initiative to earn foreign exchange through export and in all conceivable ways make available the supply of export commodities so as to fulfill and overfulfill our annual export quota. All localities and units are encouraged to make all-out efforts to develop export and the export-oriented economy by making full use of the strong points of Hong Kong and Macao in international banking and commerce, by taking advantage of the preferential policies of special zones and their functions as windows opening to the outside world, and especially by utilizing the preferential treatment accorded to the two development areas of Nantong and Lianyunkang.

Reform of the financial, tax, and banking systems. The present financial system does not meet the needs of our economic and social development, nor is it suited to reform and opening to the outside world. In view of this, it is necessary to make positive suggestions regarding the reform of our financial system so as to better handle the relations between our province and the state and between the province and various cities and counties and arouse the enthusiasm at all levels to increase revenue. The methods of assuming responsibility for the progressive increase of revenue and sharing extra profit, which are presently being test-implemented in some cities and counties, may gradually be popularized on a trial basis in other cities and counties as well. Other methods may also be tried out. While fulfilling the state and provincial revenue quotas, we should allow cities and counties to receive benefits and enhance their financial capability through their efforts to develop production, boost economic results, and increase revenue. Meanwhile, it is necessary to reform and improve the tax system so as to give better play to the macroeconomic regulating role of taxation. We should further improve and strengthen the functions of people's banks, step up guidance and control over the use of funds in society, reform step by step the credit loan system and the methods for extending such loans, and develop and improve the monetary market. Continued efforts should be made to promote the enterprise-type operations of specialized banks, improve their operational mechanisms, and strictly enforce the terms of credit loans. Meanwhile, the irrational interest structure should be reformed, and a new interest system based on the Central Bank's loan interest rate should be gradually established.

Carry out investigation and study in reforming the political system, and do a good job in developing various pilot reform projects. To meet requirements in carrying out the reform of the economic system, we must closely link economic reform with political reform and help the two types of reform promote each other. We must study how to separate the functions of government from those of enterprises, restructure administration, and reform the personnel system while strengthening the democratic legal system. Meanwhile, we must work out plans and carry out reforms in a planned manner and step by step. Governments at all levels must concentrate on changing their functions, delegating the power of management to enterprises and undertakings according to the principle of making one's own management decisions and handling one's own affairs, and gradually realizing the goal of separating government functions from business management. Government control over various economic activities should be changed to carrying out planning, improving coordination, and providing guidance and services. Mainly, it is necessary to readjust economic operations by using economic and legal means, change direct control of enterprises to indirect control of them, and departmental control to trade control. Efforts to restructure government administration must keep pace with functional change. We must also strengthen our economic balancing departments; those departments that provide consultation, make readjustments, conduct inspections, and enforce supervision; and those statistical, information, judicial, and administrative departments that deal with economic affairs. All government organs must work hard to change their style of work, go deep among basic-level units to carry out investigation and study, overcome bureaucracy and avoid creating red tape, improve work efficiency, and do a still better job in serving production, basic-level units, and the people. At the same time, we must continue to develop the pilot projects for carrying overall reform in Changzhou, Nanjing, Changshu, Haian, and Tongshan, and select more counties to carry out experiments in this connection. We must quicken our pace in reforming the administrative structure in Changzhou, Wuxi, and Suzhou, and subsequently promote our experience in other localities. It is essential to quicken our pace in reforming the housing system. Changzhou and Zhenjiang Cities, which have been designated to carry out experiments in this connection, should actively carry out these reforms and propagate their experience in the province group by group, and stage by stage.

3. Develop Science and Education

The work of developing science and technology greatly affects industrial and agricultural production. We must work hard to tackle major problems in developing scientific research. Meanwhile, we must strengthen efforts in assimilating imported technology and explore new ways to improve it. We must continue to implement the "Spark Plan" and introduce applicable technologies. It is essential to make good use of World Bank loans, import more technologies and equipment from East European

countries, and work hard to develop a large number of small, specialized and modernized export-oriented and technically advanced village and township enterprises or groups of enterprises. We must actively study and develop new advanced technologies, while engaging in basic research that offer good prospects for application. Efforts must be made to accelerate our planning and construction work in opening up the Pukou High Technology Development Zone and the Kunshan Technology and Economy Development Zone. We must make full use of the foundation and favorable conditions provided by existing institutions of higher learning and scientific research units to build a number of base areas for carrying out experiments in engineering and production. We must build base areas for the training of qualified personnel, and quicken our pace in training scientists and technical personnel. Efforts must be made to establish a scientific and technological information center, an information network, and a system of providing services in the field of science and technology. We must bring into full play the role of the China Association for Science and Technology and various mass organizations in promoting academic exchanges, popularizing science, and facilitating scientific and technological progress, and continuously accelerate the flow of information and cooperation between Jiangsu and other provinces and between China and other countries in the field of science and technology. It is necessary to promote scientific and technological reform in depth and in breadth, further introduce the concepts of planned commodity economy and competition in the sphere of science and technology, and strengthen the links between science and technology on the one hand and the economy on the other. We must make breakthroughs in the following aspects:

1. We must bring into full play the role of science and technology in serving economy, and further whip up the enthusiasm and initiative of scientists and technicians in promoting economic construction. We must improve the system of appointing qualified personnel to professional and technical posts, relax control over scientific research organizations and scientific and technical personnel, adopt flexible policies, encourage and support the interflow of intellectuals of all types, help scientists and technicians serve economic construction, and enable them to boldly create even greater wealth for society. Meanwhile, we must link the remuneration of scientists and technicians with the contributions they make, and protect their legitimate income and interests.

2. We must improve the external environment in applying scientific and technical achievements to production, and help enterprises assimilate and develop advanced technologies.

3. We must strengthen efforts in integrating science and technology with economy, vigorously develop markets for science and technology, closely link scientific research with production, and strengthen the integration of technology with economy.

4. We must change the functions of government organizations in charge of scientific and technical work, continuously strengthen overall control and make readjustments, and improve specific services and guidance. By fulfilling these tasks, we will be able to gradually create a new operational mechanism which will meet the requirements of vigorously developing socialist commodity economy and closely integrating science and technology with economy. In the field of social science, we must encourage all workers in this field to serve economic construction and the reform and open policy in the course of implementing the "Seventh 5-Year" Plan; study the new situation and tackle new problems; and serve the policy decisions made by the leadership at all levels.

It is necessary to conscientiously implement the educational policy; improve the quality of education; enable students to develop morally, intellectually, physically, and as workers; and to train for the state a larger number of qualified, self-disciplined people with a better education, high ideals, and moral integrity. Efforts should be made to thoroughly reform the educational system and to consolidate and improve the new system of running and managing primary education at various levels. The "Compulsory Education Law" and our province's measures for the enforcement of the law should be conscientiously implemented, and the 9-year compulsory education should be further popularized. Vigorous efforts should be made to develop preschool and special education, and to continuously strengthen teachers' training and vocational and technical education. Specialties at institutions of higher learning should be rationally readjusted, and cooperation should be developed between the various branches of learning. Institutions of higher learning should coordinate efforts with ministries and commissions under the State Council, cities, counties, enterprises, or scientific research units in running schools in order to achieve better social and economic results. The systems of enrolling students and assigning jobs to graduates should be reformed so that school graduates will be able to better meet society's requirements. It is necessary to accelerate the development of adult education and to encourage people to become qualified personnel by engaging in self-study and taking examinations. A better social environment should be created which shows greater respect for knowledge and talented people. Working and living conditions for intellectuals should be continuously improved.

New developments should also be achieved in all other activities such as culture, public health, and sports. It is necessary to uphold the policy of "letting a hundred flowers blossom and a hundred schools of thought contend" and to strive to promote the flourishing of literature and art in our province. The cultural administration system should be reformed, especially with regard to performing troupes. Efforts should be made to further strengthen the building of a cultural network and the management of a cultural market, to effectively run libraries, museums, and cultural centers at various levels

as well as village and town cultural centers, and to increase cultural exchanges with other countries. Reform should be carried out vigorously yet prudently in the press and in publishing, broadcasting, and television. With the increasing openness of the press, attention should be paid to social dialogue and to giving full play to the supervisory role of public opinion. The achievements made in reform should be further developed. It is essential to speed up the reform of medical and health work in urban and rural areas, to foster the idea of setting up public health services by localities and society, and to change the idea of regarding medical and health services purely as welfare services. The management of health administration departments should be strengthened, the administrative structure should be simplified, power should be delegated to lower levels, and medical institutions should have greater vitality and initiative. Existing medical institutions and the contingent of health technicians should be strengthened. Efforts should be made to develop traditional medicine; to do a good job in combining Chinese and Western medicine; to strengthen the prevention and treatment of common, frequently occurring, contagious, and other local diseases; and to improve conditions for the supply of drinking water in rural areas. It is necessary to vigorously develop mass sports activities in urban and rural areas and to do a good job in conducting sports activities in schools and in training outstanding athletes who should do their best to make marked achievements in national and international competition. The Third National Games for College Students in Nanjing must be held successfully.

Investment in science, education, culture, public health, and sports will be gradually increased with the development of the economy in order to make these activities meet the needs of modernization. At the same time, various quarters in society will be continuously encouraged to make concerted efforts to effectively run such activities. 4. Strengthen Socialist Democracy and the Legal System

In the course of building socialist material civilization and spiritual civilization, it is necessary to promote democracy step by step under good political, economic, and social leadership. Governments at all levels should keep close contact with the people, open up various channels for consultation and dialogue, keep the people informed about important matters, and enable the people to exercise their power as the masters of the country. At the same time, governments should accept on their own accord the supervision by people's congresses and the people's congress standing committees at various levels, and pay attention to bringing into play the role of CPPCC committees and democratic parties. It is necessary to improve supervisory work and to establish an administrative supervisory system as soon as possible. It is necessary to have more contacts with the people and seriously do a good job in handling letters from the people and the complaints they make when they call. We should persistently "attend to legislation and to economic development and reform at the same time," step

up the enactment of local administrative and economic regulations in accordance with legislative procedures, and gradually put all work under the legal system. We should continue to carry out widespread and thorough education to disseminate legal knowledge and enhance awareness of the legal system among cadres and the people.

We should persistently punish according to law all hostile elements who sabotage the socialist system. We should sternly deal with serious crimes and serious economic crimes, and ban such violations of the law as gambling, spreading pornographic videos and books, and other offenses that do harm to the people. We should make further overall improvements in public order, keep stable public order, and consolidate and enhance the political situation of stability and unity.

Fellow deputies, we are in a crucial time of strategic change and structural reform. We have glorious and yet arduous tasks ahead of us. In the past, the more than 60 million people of Jiangsu Province have worked with one heart and one mind, overcome difficulties, and laid a solid foundation for continuing our advance. From now on, we must follow the guidelines of the 13th CPC National Congress, continue to display the pioneering spirit of working hard, forging ahead, and struggling in unity, do our work well in a down-to-earth way, strive to complete all tasks for the year, and win new victories! 02965

Report on Liaoning Economic Development Plan
SK210650 Shenyang LIAONING RIBAO in Chinese
30 Jan 88 p 2

[Report on the implementation of the 1987 national economic and social development plan and arrangement of the 1988 plan, delivered by Zhu Jiazhen, vice governor of Liaoning Province and chairman of the provincial Planning and Economic Commission, at the first session of the seventh provincial People's Congress on 20 January]

[Text] Zhu Jiazhen, vice governor of the province and chairman of the provincial Planning and Economic Commission, delivered a report on the implementation of the 1987 national economic and social development plan and the arrangement of 1988 plan to the first session of the seventh provincial People's Congress on 20 January.

Zhu Jiazhen first introduced the implementation of 1987 plan. He said: In 1987 the province continued to take the economic construction as a key link; adhered to the four cardinal principles; persisted in the principle of reform, opening up, and economic invigoration; conscientiously implemented the guidelines of the national conference of provincial governors; extensively launched the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures; and paid attention to solving new problems that arose in

the process of economic activities. Through the positive efforts by the vast number of cadres on various fronts and by people of various nationalities, the province did a good job in implementing the province's 1987 national economic and social development plan; made better achievements in production, construction, reform, and opening up to the outside world; and made new progress in the spheres of science, technology, culture, and education. Continuous improvements were made in the people's livelihood. The province's total industrial and agricultural output value was estimated at 99 billion yuan, accounting for 104.8 percent of the annual plan and showing a 12-percent increase over 1986. Of this, the total industrial output value was estimated at 89.2 billion yuan, accounting for 105.8 percent of the annual plan and showing a 128-percent increase over 1986. The total agricultural output value was estimated at 9.8 billion yuan, accounting for 96.1 percent of the annual plan and showing a 4.8-percent increase. The GNP reached 65 billion yuan, an increase of 9.5 percent. The national income reached 55 billion yuan, an increase of 9 percent.

Thanks to the further deepening of rural reform, the peasants were inspired with enthusiasm for growing grain and the development of the rural commodity economy was further enlivened. Thanks to the further deepening of reform of the enterprise management mechanism, industrial fronts ensured a sustained and steady increase in production and gradually increased economic results. In line with the principle of "three guarantees and three restrictions," the province readjusted the structure of investment in fixed assets and strengthened the construction of key and productive projects. Urban and rural markets were brisk, the volume of foreign economic trade increased continuously, and the pace of using foreign investment was accelerated. Thanks to the impetus gained through the implementation of the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures, a turn for the better in revenues was realized and notable improvement was made in the supply of credits. While scoring better achievements in the development of the material civilization, the province made new development in science and technology, education, public health, and sports. In line with the principle of linking reform with economic development, the province further deepened the reform of the economic structure and continuously scored notable achievements in reform.

Generally speaking, the implementation of the 1987 national economic and social development plan was good; however, some problems and difficulties still existed. Major problems were that the economic results of some enterprises were not ideal enough, supplies of some major commodities were strained, and price hikes surpassed planned targets. Although these problems generally existed throughout the whole nation, they were more prominent in our province.

With regard to the arrangement of the 1988 plan, Zhu Jiazhen said: In line with the guidelines of the 13th CPC Congress and the central work conference, the provincial government preliminarily defined the guiding ideologies of the 1988 national economic and social development plan as follows: Under the guidance of the guidelines of the 13th CPC Congress and in line with the principle of taking the improvement of economic results as a key link, the province should further stabilize the economy; deepen reform; accelerate the pace of opening Liaodong peninsula to the outside world; positively promote scientific and technological progress; continue to deeply launch the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures; strive to increase economic results in the course of stabilizing the economy; strive to enliven the economy in the process of tightening up finance; develop production; improve supplies; and greet the 40th anniversary of the liberation of Liaoning with new and outstanding successes.

The major targets for the 1988 national economic and social development are as follows:

The total industrial and agricultural output value is estimated at 107 billion yuan, showing an increase of 8 percent over 1987 and doubling that of 1980. The GNP is estimated at 73 billion yuan, an increase of 7.2 percent. The national income is estimated at 61.7 billion yuan, an increase of 7 percent.

Agricultural output value is planned at 10.8 billion yuan, 10.2 percent more than the previous year; and industrial output value is planned at 96.2 billion yuan, 8 percent more than the previous year. The capital construction investment of local state-owned units throughout the province is 1.4 billion yuan, a decline of 140 million yuan from the planned amount of the previous year. Local investment in technical transformation is planned preliminarily at 4,294 billion yuan, a growth of 13 percent over the planned amount of the previous year. The province's institutional purchases are planned at 35.5 billion yuan, 13.6 percent over the previous year. The growth of the commodity retail price index will be lower than the actual level of the previous year. The state-assigned foreign exchange earning target is \$1.223 billion; the province's plan is \$1.7 billion; and we will strive to earn \$1.8 billion, a growth of more than 15 percent. Local revenue is preliminarily planned at 11.15 billion yuan, 5.3 percent more than the previous year. The provincial scientific and technological plan is arranged in such a way that 33 high-technology development projects and 26 "spark program" projects will be carried out, 300 kinds of new products will be produced on a trial basis, 25 key items of technology will be mastered and applied, more than 100 items of micro-electronic technology will be popularized to transform traditional industries, and 10 industrial experimental bases and 25 enterprises leading in science and technology will be established. It is planned that local institutions of higher learning will admit 20,400 students, 7.9

percent more than the previous year, and secondary specialized schools will admit 28,800 students, the same as the previous year. Per capita labor productivity of state-owned enterprises is planned at 16,241 yuan, 3.5 percent more than the previous year. It is planned that job arrangements will be made for 136,000 urban jobless people, and the natural population growth will be kept within 12 per 1,000.

Concerning the economic work for 1988, Zhu Jiazhen spoke at some length about the major problems in arranging the 1988 national economic and social development plan and the major measures the province plans to adopt.

1. We should achieve growth while maintaining stability, achieve economic invigoration while tightening up finance, develop production, and improve supply.

This year's urban and rural market trend in our province is to tighten up while maintaining stability and to continue to improve. The conspicuous contradictions are the outstripping of the growth of institutional purchase over that of commodity supply, the numerous factors forcing up commodity prices, and the rather arduous tasks to stabilize the market and the commodity prices. The key to resolving the contradictions lies in achieving growth while maintaining stability, achieving economic invigoration while tightening up finance, developing production, enlivening circulation, and improving supply.

We should pay great attention to agriculture and guarantee the production and supply of important farm and sideline products. A good job in the production and supply of farm and sideline products is urgently needed in order to stabilize the market and the economy. We should continue the policy of "never slackening grain production while actively developing diverse undertakings" and place the production of grain, pigs, and vegetables in a prominent position. We should also take into account the development of cotton, oil-bearing crops, fruits, beets, and aquatic products and vigorously develop township enterprises. We should lead agriculture in transforming to large-scale and intensive management. New agricultural scientific and technological achievements should be greatly popularized to promote technological progress. We should strengthen planned guidance to and management of major farm and sideline products and extensively apply the method of linking input with purchases. We should increase agricultural input, intensify the "Dayu Cup" emulation drive, successfully carry out farmland capital construction, and further improve the conditions for agricultural production.

This year the urban vegetable base area is planned at no less than 550,000 mu in order to ensure that the urban vegetable land reaches 5 li per capita. We should give play to the role of state-owned commercial departments as a major channel, which should take charge of more

than 60 percent of the total vegetable supply of the market, so that vegetable prices can remain at the same level as last year. We should continue to enforce the city mayor responsibility system to ensure that urban residents will have no problems in their "vegetable baskets."

We should strive to make a success of light industrial and textile production, expand the supply sources of readily marketable daily necessities, and make the market more thriving. With regard to the important commodities having a bearing on the national economy and the people's livelihood, we should establish a commodity storage system at every level to increase the ability to regulate the market.

Efforts should be made to bring price hikes under control. In 1988 the province will regard the task of stabilizing commodity prices as a major target in economic development and will enforce the system under which governments and departments at all levels are responsible for attaining certain objectives. Emphasis will be placed on successfully carrying out management over major consumer goods, such as grains, pork, staple vegetables, salt, and sugar. The province will continue to enforce the policy of subsidizing some commodities.

Efforts should be made to enhance the control over consumer funds in order to continuously upgrade the people's standard of living. Over the past few years, the problem of excessive consumption has been prominent and exerted greater influence on the harmonious and stable development of the national economy. In 1988 the province will bring the excessive increase of consumer funds under control, have individually run industrial and commercial enterprises and social institutions formulate the policy of carrying out reasonable readjustment, enhance tax revenues, block evasion of all kinds, and bring the consumer expenses of social institutions under strict control. The province also will have the incomes of both urban and rural people score a certain increase and will ensure that the practical livelihood reaches a new level through developing production and vigorously enforcing the piece rate and fixed-quota wages and responsibility systems of all kinds.

2. We should deeply carry out the campaign of increasing production and practicing economy as well as increasing incomes and curtailing expenses by regarding the increase of economic results as a center.

In 1988 the province will face the following four difficulties in economic work: First, the newly developed factors of decreasing revenues and increased spending are more evident than before, and it is difficult for localities to maintain a balance between revenues and expenses. Second, the situation in earning foreign exchange will be strained. Third, the supply of energy resources and raw materials will also be strained. Fourth, the supply of funds will be relatively strained, too. The fundamental method of dealing with these difficulties is to depend on the broad masses of cadres and people to

deepen reforms, to invigorate the economy, to push forward the technical progress, and to carry out more extensively the campaign of increasing production and practicing economy and increasing incomes and curtailing expenses. In carrying out this campaign in 1988, we should first put the task of upgrading the quality of products in the lead and vigorously increase the production of commodities that enjoy brisk sales. Second, efforts should be made to continuously enhance the management and operation of enterprises while deepening reforms, to seek economic results through enhancing management, and to strive to raise per capita productivity to more than 4 percent. Third, efforts should be made to tap the potential of funds, to enhance fund management, to extensively enforce the responsibility system in fund circulation throughout the province, to popularize the measure of establishing banks in plants, and to adopt ways and means to reduce the occupation of funds. Fourth, we should be determined to successfully grasp the work of earning foreign exchanges by exports and strive to fulfill the target of \$1.8 billion on the basis of ensuring the fulfillment of \$1.7 billion. Fifth, efforts should be made to open up natural resources, to save substitutes, and to actively and successfully maintain a balance between energy resources and raw materials. Sixth, efforts should be made to tighten up finance and credits. Except for the necessary spending increase in the subsidies for the wages of staff members and workers and for commodity prices in 1988, we should generally maintain the same level of 1987 in capital construction investment. All institutions should expand their proportion of having revenues cover expenses. We should have the administration fees and the social institutional purchase power be lower than in 1987.

3. We should continuously bring the scale of investment in capital construction under control and accelerate technical renovations in old industrial bases.

In 1988 our province will whip up an upsurge in the construction operation of projects covered by the Seventh 5-Year Plan and will face very great difficulties in maintaining a fund balance because the country has continued to adopt the policy of tightening up. Under the state's policy of "tightening up" finances and credits, we should also follow the principle of "three ensures and curtails" and do a good job in dealing with the construction order among various projects. In building key projects concerning the province's development of reserve strength, we should not only do according to our capability but also actively create conditions to complete the construction as soon as possible. In 1988 a large number of large projects be completely built in our province and put into production, and a large number of large and middle-sized projects will be under construction. We should resolutely ensure that these projects are implemented and completely built by the given date. We should conduct readjustment among capital construction projects in 1988 because of the changes in the investment sources and in the main part of investments. Some projects will be cancelled, some will be built by

relaxing the speed, some will be built under the cooperative system with building power facilities, and some will be built by delegating power to grassroots-level units. To accelerate the pace of building urban residential houses in 1988, we should accelerate the pace of conducting reforms in housing projects and have localities throughout the province gradually make progress from the trial stage to the stage of popularization.

4. Personnel on the scientific and technological front and on the educational front should play a vanguard role in promoting the vitalization of the national economy.

The major targets for this year's scientific and technological work are as follows: 1) We should positively conduct cooperation to tackle the key problems concerning production technologies and equipment modernization; strive to make a breakthrough in the technological field as soon as possible; and make efforts to notably improve the technological levels and economic results in agriculture, energy resources, raw materials, the processing industry, and the transportation trade. 2) We should vigorously popularize the practically advanced scientific technologies; pay attention to the implementation of the "spark plan" and the program of building 100 scientific and technological demonstration villages, 20 scientific and technological demonstration townships, and 3 scientific and technological demonstration counties; and strive to yield positive results in popularizing a group of scientific and technological findings among the economic field. 3) We should organize keen-witted and capable science professionals and technicians who will conduct research and development of high technologies in order to promote the development of high-technology industries. 4) We should vigorously attend to bringing in, assimilating, and domesticizing advanced technologies and strive to accelerate the pace of making advanced technologies operational and bringing their functions into play. 5) We should vigorously study soft science; organize scientists, entrepreneurs, and theoreticians to engage in scientific policymaking in an effort to realize scientific management of the national economy. This year, we should make new progress in expanding the scale of scientific-research and production associations and popularizing applied scientific and technological findings. It is necessary to develop scientific and technological markets, sell the property rights of scientific research findings, and encourage scientific research units to develop new technologies and enterprises using new technologies. The province plans to develop 6,000 new products and 800 key products this year, of which 110 should be developed through assimilating imported advanced technologies. The output value and profits realized through developing new products should account for 8 percent of the total industrial output value and the total profits realized by industrial enterprises.

It is necessary to further carry out the 9-year compulsory educational system, to readjust the structure of secondary education, and to develop vocational and technical education. Primary and middle schools should set up the

mechanism of self-development, and universities and colleges should strive to realize the commercialization of scientific research findings. It is necessary to carry out the system of fixed quotas for educational investment and to continuously improve the conditions for running schools and the teachers' living conditions.

5. We should further take a brave attitude toward the work of accelerating the process of opening Liaodong peninsula to the outside world.

In order to accelerate the pace of opening Liaodong peninsula to the outside world, we should attend to the following few tasks: 1) We should further emancipate our minds and enhance our awareness of reform and opening up to the outside world. In the course of opening the country to the outside world, we should creatively do our work, bravely smash old conventions that are not conducive to reform and opening up the outside world, and fully arouse the vast number of cadres and the masses' enthusiasm and creativity. 2) We should reform foreign trade enterprises, carry out the contracted management system and the manager responsibility system, and enhance the vitality of enterprises. It is necessary to continuously delegate powers to the lower levels and to encourage production enterprises to stand in the forefront of the foreign trade development and to participate in the great international cycle. 3) While enhancing the construction of the urban infrastructural facilities and the improvement of the tangible conditions for investment, we should pay special attention to strengthening and improving the intangible conditions for investment, improve the quality of serving foreign businessmen's production and living activities, and raise work efficiency. 4) We should further do a good job in using foreign capital and bringing in technologies from abroad. The province plans to use \$6 million in foreign investment this year. So we must strive to make the most of these funds. 5) We should enhance the propaganda on opening the country to the outside world and expanding Liaoning's influence on the international market. We should mobilize all fronts throughout the province in order to build Liaodong peninsula into a base for creating foreign exchange through exports, a base for producing import substitutes, a base for cultivating personnel who are able to develop an export-oriented economy and offer information, and a base for introducing foreign advanced technologies and foreign advanced experiences in management and operation to the hinterland

6. We should continue to deepen the economic structural reform and promote a sustained and stable economic development.

First, we should continue to deepen the reform of enterprises' operational mechanisms. Accelerating and deepening the reform of operational mechanisms at large and medium-sized enterprises is the key of all the key points, and all these enterprises should institute the contracted managerial responsibility system. The competition and risk-taking mechanisms should be widely

applied to the operation under contract or leasing systems. We should successfully carry out the "five reforms" within enterprises and, in particular, should make new breakthroughs in reforming the distribution and labor employment systems.

Second, we should actively and steadily carry out reforms in the fields of investment, foreign trade, material allocation, and banking. In the reform of the investment system, we should draw a clear demarcation line between the scope of provincial-level and city-level investment and implement the system under which each level decides on, manages, and is responsible for its own investment. In reforming the foreign trade system, not only should we achieve success in the piloting reform of Chinese-foreign joint ventures, Chinese-foreign cooperative companies, and foreign-funded companies selected by the state, which are responsible for their own profits and losses, but we should also make a big step forward in the reform of all relevant enterprises. After foreign trade enterprises are put under the management of localities, they should become responsible for their own profits and losses at an early date. In the reform of the material allocation system, the state will enforce a system under which the various departments in charge of managing enterprises will not take charge of material allocation; instead, material departments will take charge of it in a unified way. Our province should actively implement the various reform measures that the state has put forward, explore new ways of reforming our province's material allocation, and make bigger strides in developing the markets for the means of production and in popularizing the experience of Shijiazhuang. In the reform of the banking system, we should emphasize further development and improvement of the money market, tap the potential of money, and invigorate the use of funds to support production. This year we should select some cities and enterprises to issue stocks to society within a certain scope in order to raise more funds for production and construction.

Third, we should change the functions of the economic management departments of governments. Following the implementation of the political structural reform, a fairly great change will also take place in the economic management functions of the governments at various levels. We should continue to simplify administration and delegate power to lower levels; enforce a management system under which each level decides on, restricts, manages, and is responsible for its own economy; gradually weaken the comprehensive management functions of the departments in charge of managing enterprises; weaken the functions of managing enterprises of the departments charged with overall responsibilities; and successfully resolve the overlapping of the functions of the departments in charge of managing enterprises and departments charged with overall responsibilities. Eleven cities should be gradually given some of the economic regulatory power that Shenyang and Dalian now enjoy.

Despite the many difficulties facing our province's economic development this year, we indeed still have many favorable conditions. As long as we make the best use of these favorable conditions, bear reform in mind when working out the overall plan, persistently build the material and spiritual civilizations simultaneously, and work realistically, we will be able to overcome difficulties and smoothly fulfill our province's national economic and social development plan for this year.

Liaoning's Budget Report at Congress Session
SK171120 Shenyang LIAONING RIBAO in Chinese
31 Jan 88 p 2

["Excerpts" of the "Report on Fulfillment of Liaoning Provincial 1987 Budget and on its 1988 Budgetary Estimate" delivered by Gao Chenghe, director of the provincial financial bureau, at the first session of the seventh provincial People's Congress—date not given]

[Excerpt] 1. Fulfillment of the 1987 Budget

In 1987, the province conscientiously implemented guidelines for the national conference of provincial governors; upheld the four cardinal principles; adhered to the policy of reform and opening up; and launched an extensive campaign to increase production, practice economy, increase revenues, and reduce expenditures, with the focus on "tapping potential, upgrading the level, opposing waste, and improving economic results," and thus promoted the development of the national economy and various other undertakings. Based on sustained, stable, and balanced development of the national economy, the 1987 budget was carried out fairly well. The budgetary revenue was fulfilled and expenditures basically guaranteed the needs of the development of production, construction, and cultural, educational, scientific, and health undertakings covered in the budget and supported the smooth implementation of various reform measures.

A. Revenue

The 1987 budgetary revenue approved at the 27th standing committee meeting of the 6th Liaoning Provincial People's Congress was 10.51 billion yuan, an increase of 6.3 percent over the previous year. The actual amount of revenue realized was 10.584 billion yuan, 100.7 percent of the budget, and 7.0 percent greater than the previous year. Of the total, the revenue collected thanks to the revenue-sharing system was 8.752 billion yuan, 167 million yuan less than the budgetary amount, and 5.4 percent greater than the previous year. Industrial and commercial tax revenue was 2.1 percent greater than the budgetary amount, and 10.1 percent greater than the previous year. Tax reduction and the exemption policy were continued to invigorate enterprises and support production. The revenue collected from industrial enterprises was 92.3 percent of the budgetary amount, and a decline of 7 percent from the previous year. In carrying out the budget, due to the new situation emerging in

market prices, price subsidies that cover pork and grain out of policy considerations were increased to stabilize prices and make the people's live less affected. The planned revenue collected from commercial and grain enterprises was not fulfilled.

In addition, in 1987, the state assigned our province a treasury bond purchasing task of 348 million yuan. A total of 364 million yuan of treasury bonds were sold, 4.6 percent over the plan. The purchasing quota of units was overfulfilled by 11.8 percent, and that of individuals was overfulfilled by 2.2 percent.

B. Expenditure

The budgetary expenditure approved at the 27th standing committee meeting of the 6th Liaoning Provincial People's Congress was 7.466 billion yuan. In carrying out the budget, the central authorities continued to allocate additional special funds to the province and the province retained insurance income and income from grain distribution and management for its own use. As a result, the adjusted budgetary expenditure totaled 8.435 billion yuan (of which 4.08 billion yuan was covered by the financial resources of the same year). The actual year-end expenditure was 8.018 billion yuan, 95.1 percent of the budgetary amount, and 6.2 percent, or 486 million yuan, over the previous year. Excluding the two incomparable factors, an expenditure increase of 350 million yuan due to price subsidies, and an expenditure increase of 150 million yuan for the Dalian Port to maintain its management, the total expenditure showed a decline of 30 million yuan, or 0.4 percent, from the previous year. Of the total, the expenditure for capital construction was 95.4 percent of the budgetary amount, showing a decline of 14.7 percent from the previous year; the expenditure for agriculture (including agriculture-oriented funds and irrigation funds for agriculture and forestry) was 98.6 percent of the budgetary amount, showing an increase of 1.3 percent over the previous year (of which agriculture-oriented funds increased by 16.9 percent and irrigation funds for agriculture and forestry declined by 8.3 percent); and the expenditure for education totaled 939 million yuan, 1.6 percent over the previous year. Education funds were not less than the previous year, although the central authorities mustered the funds, and the local financial capacity was reduced by 6.8 percent.

Although provincial revenue guaranteed undertakings to be fulfilled, the revenue collected due to the revenue-sharing system was 160 million yuan less than the budgetary amount and some cities and counties surpassed their expenditure quotas. According to preliminary estimates, the accumulated deficits of the province totaled approximately 200 million yuan.

2. 1988 Budgetary Estimate

The 1988 budgetary estimate is arranged in such a way that, while reforms in various fields will be actively supported and deepened; the campaign for increasing

production, practicing economy, increasing revenues, and reducing expenditures will be developed; the economy will be further enlivened; and stable growth in the revenue will be ensured to alleviate the strained financial resources, the spirit of plain living, arduous struggle, and building up the country through frugality and hard work will be displayed; the policy of tightening up finances will be implemented; expenditures will be reduced and brought under control; funds will be used effectively in developing production and various other undertakings; and a balance between revenue and expenditures will be achieved.

A. Revenue

The province's 1988 budgetary revenue is 11.15 billion yuan, 5.3 percent over 1987. Industrial and commercial tax revenue will be increased by 9.8 percent over the previous year. The revenue collected from industrial enterprises will show a small decline from the previous year, mainly because there are many factors for a decline of revenue collected from industrial enterprises. Enterprises should strive to tap potential, improve economic results, and increase their ability to withstand the strain. Subsidies to grain enterprises due to policy considerations will continue to increase and the revenue collected from commercial enterprises will continue to decrease due to an increase in pork subsidies.

In addition, the 1988 state-assigned treasury bond purchasing quota is 523 million yuan, 50.4 percent greater than the previous year. The increased quota requires us to mobilize the people throughout the province to vigorously purchase bonds.

B. Expenditures

In line with stipulations of the adjusted financial system of the central authorities applied to provinces, and based on the local financial resources of the same year, the province's 1988 budgetary expenditures are 4.33 billion yuan (excluding the funds allocated by the central authorities for special purposes, the surplus from the previous year, and special funds that can be spent), showing an increase of 250 million yuan over the 1987 local financial resources (4.08 billion yuan). The increased financial resources should first be used to guarantee the wage increase for teachers, the wage increase resulting from implementation of the technical job employment system, the increased bonuses issued by institutions and administrative departments, and the increase of funds for expanded personnel due to development of undertakings. Expenses for other purposes can only be roughly the same or a little lower than the level of the previous year. Therefore, we have to tighten up finances.

FOREIGN TRADE, INVESTMENT

Development of U.S. Export Market Suggested for Silk Industry

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0751 GMT 14 Feb 88

[Text] Beijing, February 14 (XINHUA)—China may earn more from silk exports if it spends more money upgrading its silk industry, said "BEIJING REVIEW" in its latest North American edition.

The English weekly quoted Han Fengming, president of the New York-based China Silk (America) Inc., as saying that China produces 60 percent of the world's silk fabric and 90 percent of the world's entire supply of silk exports.

In 1986, the Beijing-based National Silk Import and Export Corp. Alone sold 1.1 Billion U.S. Dollars worth of silk to more than 130 countries and regions.

China's silk exports to the United States date back to 1785 and were suspended in 1949 when the New China was founded. After Sino-U.S. trade relations were restored in 1972, Chinese silk began to reappear on the U.S. Market. But exorbitant U.S. Customs duties limited imports to a mere trickle.

It was not until 1979, when the United States and China granted each other most-favored-treatment status, that the Chinese were able to increase sales of silk products to the United States. Han said there is no reason why China cannot sell more silk in the United States. For one thing America's own silk-weaving and dyeing industries are in decline because of increased labor costs, so U.S. companies have no alternative but to depend heavily on imported silk to meet the domestic demand.

This means China's silk sales pose no threat to the American economy because there is no competition at all in this field. So Chinese silk products, already known for their quality and workmanship, could sell well in the States if they are geared to meet consumer tastes.

The 20 years of estrangement have also had lingering effects — younger americans know little about Chinese silk, although their grandparents might have worn silk garments proudly.

Han said China can win back the U.S. Market by educating consumers through holding silk fairs, upgrading silk industry to produce varieties of products to cater to the American people and improving service of foreign export.

Han noted the Chinese government is investing large amounts of money in its cotton and wool industries, but very little in the silk industry. In fact, China's numerous

silk factories are earners rather than spenders of the foreign currency so badly needed for the modernization drive because they rely entirely on domestic resources.

01981

Current Issues in Country's Use of World Bank Loans

40060098b Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 87 pp 21-24

[Article by Luo Long [5012 7893]: "Experiences and Issues in China's Use of World Bank Loans:

[Excerpt] III. Current Issues

China has clearly expressed its need to use more foreign capital in order to relieve our shortage of construction funds and promote our economic growth. Our leaders have expressed their desire that the World Bank will increase its loans to China from \$1 billion a year in the latter part of the Sixth 5-Year Plan to \$2 billion or even \$3 billion a year in the Seventh 5-Year Plan. The World Bank has agreed to this in principle. But certain problems are still affecting our further successful use of World Bank loans.

1) The Problem of Project Selection Caused by Repayment Problems: The World Bank chooses projects based on their effect on the whole industry or even the entire national economy, and their economic returns. But as a result of shortcomings in China's current foreign exchange management, some feasible projects have not been able to use World Bank loans and start as soon as would have been possible because of their inability to repay the foreign exchange. On one hand, this has had adverse effect on increasing China's use of World Bank loans, causing some foreign capital that we could have used on favorable terms to flow to other countries and, on the other, it has not helped us to restructure our industry. In fact, although some feasible projects may not be able to produce very much foreign exchange directly, they can still certainly play a role as import substitutes, and those sectors that would profit from these projects by saving foreign exchange should help to repay the loans. Thus, central or local coordination should be improved and comprehensive repayment should be carried out by settling overall accounts in order to better use more World Bank Loans.

2) The Problem of Project Procedure Coordination between China and the World Bank: As previously pointed out, the World Bank has a set of comprehensive project procedures. Moreover, China also has a set of project procedures that include principally examination and approval of project establishment and feasibility reports. If these two sets of procedures are not well coordinated, project progress is liable to be affected. In 1986, China reached an agreement with the World Bank that allows the World Bank to get unofficially involved in a project's early stages of preparations before its

official establishment in China. In addition, once the World Bank officially appraised a project, China can begin examination and approval of feasibility reports based on the memoranda of intentions left by the appraisal committee, without having to wait for the World Bank's official appraisal report. This has greatly speeded up project progress. However, when major revisions of projects need to be made after recalculation, China must resubmit them for approval. The procedures are even more inconvenient for projects that drag on for long periods of time, and for transregional ones in particular. The lack of decisionmaking power in the units that are in charge of projects is detrimental to the efficient use of foreign capital.

3) The Problem of Transfer Loan Interest Rates: All World Bank loans to China are made to our government and then reloaned by the Ministry of Finance. The World Bank's policy on transfer loans is that, except for loans for projects in areas such as education, health, and agriculture that produce no or very little direct economic results, transfer loans for other projects cannot be discounted because China still enjoys the use of soft loans, and that a 10-percent interest rate must still generally be added to transfer loans for industrial projects in order to spur the units that are in charge of them to pay more attention to economic results. In addition to the quality issue itself, since China has not been accustomed to using borrowed money to develop our economy, many projects have experienced contradictions in relation to the issue of transfer loan interest rates. In order to solve this problem, we should, on one hand, consider China's current situation and, on the other, gradually improve the quality of our enterprises, learn how to use borrowed funds to develop our economy, and enable our enterprises to gradually develop and compete in the general international economic environment.

4) The Problem of Matched Domestic Funding: The World Bank can provide all of the foreign exchange funds needed for a project. If the foreign exchange needed is less than 50 percent of the total cost of the project, the World Bank can provide up to 50 percent of the project's total cost. This can partially solve the issue of matched domestic funding but, in any case, it must be solved mainly by the country itself. However, since China's present investment system is still not completely rational, the normal progress of projects has been affected by the matched funds being delayed or impossible to arrange. When applying for the use of World Bank loans, the units in charge of China's projects should, on one hand, arrange the matched domestic funds in advance and not go fishing for them piece by piece and, on the other, open up all funding channels in line with investment reforms. In addition to the present use of their own funds and bank loans, the units in charge of projects should be allowed to raise their own funds in more ways, such as selling stocks and bonds and establishing lateral alliances.

5) The Problem of China's Enterprises Participating in Internationally Competitive Project Bidding: The World

Bank generally uses internationally competitive bidding by its member nations and Switzerland to choose companies for all parts of projects, such as equipment purchases, engineering designs, and construction work. We have briefly indicated above the advantages of this for the projects themselves. At this point, we want to point out still other advantages that would accrue to China if our enterprises enthusiastically participated in this kind of competitive bidding. A) The funds that our enterprises would win through bidding would be won by China, and moreover, would be foreign exchange. B) Another advantage is that enterprises in the countries where projects are located enjoy a certain amount of favorable terms, generally 7 to 15 percent, in this kind of bidding. Therefore, under identical conditions, China's enterprises could win bids in this way much more easily than by bidding abroad. C) Another, and the most important advantage, is that this kind of competition could be a major factor in improving the quality of China's enterprises. Our enterprises have not been used to competitive bidding, and, frankly, are not very good at it. In addition, our dilatory work style has caused us to miss out on many good opportunities. At present, along with the popularization throughout China of the successful experience of the Lubuge hydropower station, China's enterprises should learn as quickly as possible how to actively participate in internationally competitive bidding. This will be favorable both to China and to our enterprises.

12267/12232

LIAOWANG: Introducing GATT to Country's Foreign Trade

HK200547 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 6, 8 Feb 88 pp 29-30

[Article by Zhuang Kaixun [8369 0418 8113]: "Commenting on the Memorandum on China's Foreign Trade System and Answering Questions Raised by the GATT"]

[Text]

I.

In July 1986, the Chinese Government officially presented an application for the restoration of its seat in the GATT. The Gatt then established a working group responsible for China's reentry. It is now examining and reviewing China's foreign trade system. In the meantime, the GATT signatories will hold an important dialogue with China on the conditions for the restoration of its seat in the organization.

China was one of the GATT founders. Due to historical reasons, the official links between China and the GATT have been suspended for a long time. It is both natural and right for China to demand the restoration of its status as a GATT signatory. As a developing country, China is entitled to enjoy the same treatment as other developing countries. In the meantime, China has also

stated that it is willing to hold talks with other signatories on the reduction or exemption of tariffs, and to fulfill its obligations in accordance with the GATT stipulations concerned relevant to its economic and trade level.

It is a long-term and basic Chinese national policy to open up to the outside world and to develop and expand its economic and trade relations with various countries of the world. China's purpose in restoring its status as a GATT signatory and participating in the world multilateral trade system is to meet the basic demand of this national policy. This is not only in accord with China's interests but also helpful to the fulfillment of the goals of the GATT.

In early 1987, the Chinese Government officially presented the Gatt with a "Memorandum on China's Foreign Trade System." The "Memorandum" gave an authoritative account of China's economic structural reform and policy of opening up to the outside world, and provided a detailed and important explanation of China's foreign trade policy, tariff system, commodity examination, import and export license system, price system governing import and export commodities, foreign exchange administrative system, special economic zones, coastal cities which are opened up to the outside world, and so on. The "Memorandum" has received great attention from the GATT signatories. They have asked 336 questions in hopes that China will answer them. In this connection, the Chinese Ministry of Foreign Economic Relations and Trade summed up and sorted out these questions, and answered them in a practical way. The "Memorandum" and the answers to the questions are an important document that not only shows China's stand and sincerity regarding the restoration of its status as a GATT signatory but also helps people understand China's economic and foreign trade system.

II.

GATT is a multilateral treaty in the field of international trade. Therefore, it is natural for its signatories to seek to acquire the latest information on China's economic system. In this regard, the "Memorandum" points out: "Reform in recent years has brought about great changes in China's economic system. At present, China is in the transitional stage of advancing from a centralized planned economy to the new system of a planned commodity economy. The new system not only conforms with China's national conditions but also enables the country to fully participate in the international multilateral economic and trade system. The fact that China is implementing a new system that integrates a planned economy with a market economy will be fully coordinated with the multilateral GATT system."

China has extensively and profoundly been carrying out economic reforms in both urban and rural areas since 1979. The commodity market has been constantly expanded and improved in the course of reform. The number of products manufactured in accordance with

the mandatory planning of the state has been greatly reduced. The percentage of products manufactured in accordance with guidance planning has been increased. According to statistics, from 1984 to late 1986, the percentage of industrial goods manufactured in accordance with mandatory planning was reduced from 40 to 17 percent. As far as varieties of goods are concerned, products that are governed by mandatory planning have dropped from 120 types to about 60 types. In the field of circulation, goods and materials allocated by the state have been reduced from 256 kinds to about 20 kinds. There is no mandatory agricultural planning. In answering the GATT questions, China points out: "In the future, except for those means of production like electric power, petroleum, and others, and consumer goods for daily life (such as grain and edible vegetable oil for urban residents, and so on), the production of all other goods will be mainly guided by guidance planning, or market regulation. With regard to those products which are allocated and distributed in accordance with mandatory planning, the state and the enterprises responsible for producing such products will sign goods supply contracts based on the principle of exchange of equal value. With the deepening and development of economic structural reform and the establishment of the new system, guidance planning will become a main form for guiding production."

Another principal characteristic of China's economic structural reform is that commodity prices will be gradually freed. The number of products whose prices are set by the state will be reduced, and most products will be based on guidance prices, or market prices. The "Memorandum" provides the following data: In 1985, the purchase price for agricultural products was 66.8 percent higher than 1978. Of agricultural products sold by peasants, in 1978 the prices of 92.6 percent of them was set by the state. The percentage dropped to 37 percent in 1985. In 1978, only 7.4 percent of agricultural products sold by peasants was based on the state guidance price, or market price. But it increased to 63 percent in 1985. Due to the freeing of the prices of some consumer goods from 1979 to 1985, the cumulative retail price index for commodities increased 28.1 percent, whereas the per capital cumulative wage increase was 86.97 percent during the same period.

One of the main tasks of the reform in China is to invigorate enterprises, state-operated large- and medium-sized enterprises in particular, so that they become relatively independent economic entities and independent producers and operators of commodities which assume the sole responsibility for profits and losses. Some of the GATT signatories are interested in the system of assuming sole responsibility for profits and losses, particularly the "factory director responsibility system." While answering questions in this regard, China has provided the following materials: In May 1984 the "factory director responsibility" system was implemented on a trial basis in some enterprises under

ownership by the whole people. The number of enterprises implementing the system increased from 27,580 in late 1985 to 32,844 in the second half of 1985. In other words, 35 percent of the industrial enterprises operated under the ownership of the whole people have implemented the system. It is expected that 100 percent of these enterprises will implement the system in 1988.

III.

The "Memorandum" points out: "China implements a unified foreign trade policy throughout the country." It adds: "Making efforts to increase exports and to earn more foreign exchange is the key to whether China can expand imports and promote economic and technical exchanges with foreign countries on a greater scale. China is a developing country. The lack of foreign exchange is a striking problem that will exist for a fairly long time."

With regard to the development of China's export trade, some GATT signatories are not clear whether the Chinese Government provides temporary economic support for enterprises engaged in export, or adopts any other measures for encouraging them. The actual situation is: Due to the fact that economic structural reform is being carried out in China and that an internal market system is being formed, enterprises engaged in the export trade will inevitably be influenced adversely by irrational tax and price systems that have been in use for a long time. Production bases, special factories, and enterprises that are involved in exports have been given such preferential treatment by the state as tax exemptions or reductions, provided with loans, and so on, as well as certain economic support. The state has also guided them to readjust and improve their economic structure and helped them carry out technical reforms and increase their labor productivity so that they can offset to a certain degree the influence of the irrational factors in the existing tax and price systems and participate against international competition under approximately the same economic conditions. Temporary economic support and measures adopted by the state to encourage enterprises engaged in exports mainly include: refunding taxes already paid, or granting tax exemptions for some export products; providing low-interest, concessional loans for enterprises engaged in exports; providing workers of some enterprises that have done well in the export trade with a certain amount of bonuses; adopting a method of foreign exchange retention, and vesting localities, departments, and enterprises with more power for using foreign exchange; and so on.

What should be emphasized is that although China has adopted a method for refunding taxes already paid with regard to some export products, the product tax and value-added tax of the export commodities are not reimbursed. Efforts are being made to correct the irrational price system left over from history, particularly the practice of irrationally setting higher prices for finished products. Our goal of rationalizing prices has

not been attained. Until our tax and price systems are perfected, the state has adopted expedient measures to economically support enterprises engaged in the production of export goods. In other words, these measures are not permanent. Just as China said in answering questions asked by the GATT signatories: "Tax reimbursements do not represent a full subsidy. It is only a readjustment of the interpal price system when it is linked with the international market. The purpose of economic support is to enable Chinese products to compete with foreign products under more or less the same conditions. As the reform progresses, the support by the state will be gradually reduced, and finally abolished." In China, there is no problem of forcing enterprises to carry out the export business.

IV.

The "Memorandum" devotes a good deal of space to an introduction of the reform in China's foreign trade system, import and export license system, administration of foreign exchange, and the way of fixing the prices of import and export commodities, and so on. Before 1979, China basically implemented a state monopoly administrative system in its foreign trade. However, since 1979 the state has reformed its foreign trade system, delegated foreign trade administrative powers, and permitted industrial production departments and localities to carry out foreign trade. All these have changed the monopoly business of foreign trade companies under the former foreign trade ministry. At present, China is adopting multichannel and multiple management methods in its foreign trade. The goals to be attained in the future will be: Operational power for foreign trade will be delegated to lower levels, and enterprises are allowed to choose the most economical and rational method to promote their foreign trade business. Enterprises engaged in foreign trade fully enjoy their decision-making power for business, personnel arrangements, wages, and so on. Mandatory planning will be abolished, and replaced by guidance planning and market regulations (more than 3,000 kinds of products were guided by mandatory planning in 1984, but the number has now been reduced to about a dozen or so). The state will no longer directly interfere in the business operations of enterprises. It will administer foreign trade mainly through legal means and means of economic readjustment. This is in accord with the basic principle of the GATT.

After reform, there are 2,102 import and export tax items in China. Some import and export goods are completely exempted from taxes. The minimum import tax [zui di jin kou shui 2584 0144 6651 0656 4451] ranges from 3 to 150 percent. Import taxes in general [pu tong jin kou shui 2528 6639 6651 0656 4451] range from 8 to 180 percent and are divided into 17 grades. At present, there are 23 types of commodities on which export taxes are levied. Export taxes range from 10 to 60 percent, and they are divided into 6 grades. China's tariff revenue was 10.3 billion yuan in 1984, 20.5 billion yuan

in 1985, and 1.52 billion yuan in 1986. They respectively accounted for 6.9 percent, 11 percent, and 6.5 percent of the financial revenue of the corresponding years. The import and export license system is an administrative system worked out by the state with the aim of ensuring the orderly promotion of imports and exports. Starting on 1 January 1987, there were 42 kinds of import products which were governed by the import license system. The import volume of these products has accounted for a third of the total import volume. There are 212 kinds of export products that are governed by the export license system. Some 30 kinds of them must be approved by the Ministry of Foreign Economic Relations and Trade, 42 kinds of them must be approved by the office of the special delegate of the Ministry of Foreign Economic Relations and Trade, and 140 kinds of them must be approved by the foreign economic relations and trade departments (bureaus, committees) at the provincial level.

While answering the relevant questions, the "Memorandum" gives a detailed explanation on the principle for setting the prices for import and export commodities. In the past, all prices for import and export goods were set by the state. However, since the reform of the price and foreign trade system, various methods have now been adopted for setting the prices on import and export goods. At present, the prices of most import goods are set by the enterprises responsible for foreign trade (whose import volume amounts for 70 percent of the total import volume). Export commodities are divided into two kinds. First, with regard to commodities which are exported by foreign trade enterprises which are agents of these commodities, their prices are set in accordance with production costs at home with reference to the international market price. Second, with regard to commodities that are handled by foreign trade enterprises, or are jointly exported by these enterprises and production enterprises, their prices are set after considering the purchase price, production costs, freight charges, packing charges, warehouse expenses, bank charges, export tariffs (for some products), reasonable profits, and so on.

China's purpose in conducting a reform of the price system is to ensure that commodity prices will truly reflect the value of the commodities as well as market supply and demand. This principle is applicable to both import commodities and commodities manufactured at home. With regard to product prices, China has adopted the policy of treating equally both foreign and internal producers. There is no discrimination in this regard. The government administrative departments are not allowed to interfere in the prices set by enterprises responsible for exports.

Due to the fact that the "Memorandum on China's Foreign Trade System" and the answers to the questions raised by the GATT signatories are rich in content, it is impossible for this article to give a full account of them. There is no doubt that these two documents are important and authoritative documents for those who are

interested in trade with China. They clarify some misunderstandings, provide information, and help promote contacts between economic and trade circles of various countries and China. With the development of world trade, many developing countries have joined the GATT one after another, so that the GATT has become a multilateral trade treaty that deals with a wide range of principles and guides the trade policies of the signatories. This writer believes that the early restoration of China's seat in the GATT will play a positive role in consolidating and improving the multilateral trade system. It will also be helpful to the development of the economy and trade of the world.

05398

Four Ways To Expand Sino-Japanese Economic Cooperation Suggested

40060098a Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 87 pp 35-36

[Article by Wei Xiaorong [7614 1420 2837], Commercial Counselor of the PRC Consulate General, Osaka, Japan: "New Characteristics of Japanese Foreign Investment and Ways to Expand Sino-Japanese Economic Cooperation"]

[Excerpt] II. Ways to Further Expand Sino-Japanese Economic Cooperation

With the value of the yen rising and trade conditions becoming more competitive, Japan has actively expanded its overseas investments. This is a very good opportunity to increase Sino-Japanese economic cooperation. China should take advantage of having rich natural resources and abundant manpower to increase cooperation with Japan in the areas of capital and technology. As long as effective steps are conscientiously taken to improve such areas as management and administration, product quality, production efficiency, and red-tape, Sino-Japanese economic cooperation will be able to expand considerably.

1) Overall plans should be made to jointly produce automobile parts. Ever since the yen appreciated, the cost of making cars in Japan has risen steadily. In order to improve the international competitiveness of their cars, all Japanese automobile manufacturers have actively expanded their processing of parts overseas. A wood resources development company recently went to cities such as Tianjin, Nanjing, Zhenjiang, and Shenyang to discuss the processing of automobile parts for complete resale to Japan. Japan's response was that although China has the capacity to process parts, it still has problems in production management and technology. In particular we lack rolled steel. As a result of these problems progress has been slow. I hope that the state will make overall plans to quickly solve problems such as the rolled steel shortage and hasten the smooth development of these types of projects. This will both help to

improve China's automobile manufacturing technology, management, and administration, and will also increase our exports and bring in more foreign exchange.

2) We should increase cooperation in the production of electronic components. In order to overcome difficulties arising from the yen's rising value, lower costs and improve competitiveness, Japanese electronics companies generally imported more components in 1987. For instance, the Sharp Co provided Taiwan with the technology to make television set transformers, most of which were resold to Japan. Their production cost was 25 percent lower in Taiwan than in Japan.

It is understood that Japanese companies such as Matsushita, Hitachi, Sharp, and Tateishi Electrical Machinery are all actively looking for overseas markets. Various Japanese companies also want to jointly produce components with China, all or most of which would be resold to Japan. However, they expect China to produce them in factories specializing in the components and to guarantee their quality and delivery.

3) We should increase cooperation in shipbuilding, and expand exports of ships. Because the international demand for ships has decreased, prices have dropped, and the yen has appreciated, the Japanese shipbuilding industry is facing a crisis. Japan restructured its shipbuilding industry in 1987 by closing plants, stopping production, merging, and transforming. Moreover, it looked for solutions abroad and expanded its cooperation with foreign shipbuilding companies. Japanese shipbuilding companies are now studying plans to bid for and build ships with foreign shipbuilding companies in order to fully use cheaper foreign raw materials and labor. For instance, components could be built in China or Taiwan Province and assembled in Japan.

4) Better conditions should be created to absorb more Japanese investment. Japan has had a favorable balance of trade for many years. In 1986, its exports exceeded its imports by \$90 billion and its direct foreign investment reached \$12.5 billion. Since some Japanese enterprises have money that they want to invest abroad, China could attract investments from Japanese businessmen by adopting preferential policies and adopting advantageous measures. When accepting Japanese investments, China should streamline formalities, appropriately devolve decisionmaking power to local administrative levels, and raise work efficiency. Wholly foreign-owned enterprises and Sino-foreign joint ventures should be given priority in importing, more decisionmaking power, and prompt attention to their problems. Moreover, China's domestic markets should be opened up appropriately.

12267/12232

Fujian To Open Foreign Exchange Centers

OW191238 Beijing XINHUA in English
0702 GMT 19 Feb 88

[Text] Fuzhou, February 19 (XINHUA)—Two more foreign currency exchange centers will be set up in Fujian

Province later this year, one in the capital of Fuzhou and the other in the port city of Quanzhou.

They will bring to three the number established in the province since a center opened early last year in Xiamen Special Economic Zone in the south of the province.

The centers help foreign-funded enterprises and Chinese businesses obtain hard currency to import equipment and raw materials, said an official of the provincial Bureau of Exchange Control.

Businesses owned by the state or collectives as well as government offices and foreign-funded firms may lend their own hard currency to the centers.

Exchange rates are negotiable.

The Xiamen center has issued 90 million U.S. dollars worth of hard currency loans to foreign-funded businesses since it opened.

The official said Fujian financial institutions want to attract more hard currency from local residents.

To that end, the Fujian investment and enterprise company plans to issue bonds worth 20 million Hong Kong dollars later this year.

Individual savings deposits at local branches of the Industrial and Commercial Bank of China, the Bank of China and the Agricultural Bank of China totalled 446 million H.K. dollars by the end of 1987.

02649

Joint-Venture Hotel Staff Strikes Over Bonus
HK220720 Hong Kong HONGKONG STANDARD in English 22 Feb 88 p 1

[By Mark Symonds in Guilin and S. Y. Wai in Hong Kong]

[Text] Staff at the Ramada Renaissance Hotel in Guilin went on strike over Lunar New Year, adding a new dimension to the problems facing the strife-plagued joint venture.

The employees stopped work last Tuesday after learning that their promised New Year bonus would not be paid until this week.

Although China's constitution permits strikes, such action for other than political reasons is extremely rare.

Most of the workers were back at work yesterday, but the management was refusing to let seven of them return.

Mr Tony Fung, managing director of the hotel's parent company, Ramada Renaissance Guilin, said it was an offence in China for staff to be away from work for more than 48 hours without permission and they could face severe penalties.

"A strike in a communist country—can you believe it?" Mr Fung said.

Mr Fung, who represents Australian interests in the joint venture was in Hong Kong when the row flared, and was advised of the stoppage in a telex from the head of the venture's Chinese partner, Mr Zheng Xiaoman, last Tuesday.

The hotel management has reported the case to the municipal government.

The head of the Hong Kong branch of the XINHUA News Agency, Mr Xu Jiatun, was due in Guilin today for discussions about the dispute between the joint venture partners, but hotel sources said it was not known whether his visit had anything to do with the strike.

The hotel's general manager, Mr Rudolf Bruggeman, met staff representatives twice on New Year's Eve after they complained about not getting bonuses expected that day.

A manager at the hotel said yesterday that Mr Bruggeman told the representatives that the bonuses would not be distributed until tomorrow and warned that those who went on strike might not be allowed to work for the hotel any more.

Mr Zheng, chairman of China Youth Travel Service (CYTS) sent a telex to Mr Fung after the two meetings.

He said that despite his efforts to stop them, the staff would strike immediately if the bonuses were not distributed by New Year Eve and if the highest bonus was less than 200 yuan (about HK\$400).

Mr Zheng said: "the consequence is dreadful to contemplate in case the strike comes through. I do hope you (Mr Fung) will make a quick decision or come back to Guilin."

Several employees of the hotel's Garden Cafe failed to turn up for work on Tuesday evening. Most of them went back to work the following day, but another 25 staff from the housekeeping department stopped work.

On Thursday, the total number of strikers dropped to 16 in the morning but all returned to work in the afternoon. However, seven of them were barred from the premises by Mr Bruggeman who said he believed the ring-leader was among them.

Although he had used the word twice in his telex to Mr Fung, Mr Zheng yesterday sought to cast doubt on whether the workers had in fact been on strike.

He said he had used the word only in the telex to "clearly express the situation" to his foreign counterpart, and not in discussions with the staff.

It could hardly be called a strike during the spring Festival when everyone was entitled to three days off, he said.

Mr Fung—who is selling his shares in the US\$33 million hotel—arrived in Guilin last Wednesday on holiday.

He said yesterday that he did not know who had engineered the action but people in CYTS could be in serious trouble for not preventing it.

He said staff members had threatened violence against those who did not want to stay away from work.

Mr Fung said that Chinese law did not require him to pay a bonus and his hotel staff were the highest paid in Guilin.

"It's up to me whether the staff get a bonus and how much," he said.

"We're not worried about this strike, but about what could happen in the future," he said.

Hotel management told THE STANDARD that many of those who went on strike later said they were forced by somebody to sign a document agreeing to take part.

Other hotels in Guilin paid their staff the traditional bonus.

As well as being managing director of the hotel's parent company, Mr Fung represents China Trade Omni-development Centre, the Australian arm of the \$257 million joint venture.

The Chinese and Australian parties have been arguing over which side should settle the bills for utilities and invest extra money for the second phase development to double the hotel's capacity to more than 700 rooms.

05463

Hainan To Enjoy Greater Export-Import Control
OW250314 Beijing XINHUA in English
0255 GMT 25 Feb 88

[Text] Beijing, February 25 (XINHUA)—Hainan Island will be given much greater decision-making powers over its exports and imports when it becomes a province later this year, according to today's "CHINA DAILY".

The paper quoted Meng Qingping, deputy party committee secretary of the Hainan Administrative Zone, as saying that the island may export as many products as it likes without being restricted by the state export quota licensing system.

It will have to report its export business to the central government but only its exports will be automatically approved, Meng said.

The island will also have the right to approve its own imports of production materials, including raw materials, fuel, parts and 24 categories of goods under state import control, he said. But these imports should be brought in only for use on the island.

Imported sweets, wines and cigarettes will still be liable for duty, as required by state regulations, but the rates will be cut by half.

Finished products made with duty-paid imported raw materials or parts can be sold to the mainland under the preferential terms applied to the island if factories there have increased the value of the goods by at least 20 percent.

More flexible financial policies will also be introduced on the island, Meng said. Foreign exchange transactions may be made freely on the island itself and with special economic zones in other parts of the country.

The island will be allowed to keep all its foreign exchange earnings, with enterprises retaining 85 percent of their foreign exchange income from export, he said.

With permission from the People's Bank of China on the island, foreign banks may open their branch offices to deal in foreign exchange, stocks and securities, the paper reported.

To attract foreign investment, joint ventures, co-operative projects and enterprises with solely foreign capital will be exempted from profit taxes for two years and will pay only a percentage of their taxes from the third year, Meng said.

The profit tax exemption period may be extended to five years if such enterprises are engaged in industrial and agricultural production and development of high technology.

The island's exit and entry formalities will also be greatly simplified, he said. Hong Kong and Macao compatriots may stay as long as 15 days on the island with their identification cards, while Taiwan compatriots can stay for the same period with their travel certificates.

Foreigners may also visit the island for up to 15 days by showing their passports at frontier posts. They will not need to apply for visas through Chinese embassies and consulates.

Businessmen who are visiting their companies or factories on the island may apply for permits for temporary residence lasting six months or one year, according to the paper.

Hainan Island also plans to work out a series of detailed regulations concerning housing and land management and environmental protection to assure overseas investors that their rights and interests are legally protected in China.

The right to use land can be transferred for a payment which will entitle users to keep the land for up to 50 years, Meng said.

He said the present international economic situation was quite favourable for the development of an export-oriented economy on Hainan Island.

China's open policies are adequate for practical use, he said. The problem lies in the need to make them more widely understood, especially by those who think investment conditions in socialist countries cannot be as convenient as those in capitalist countries.

He said that any economic practices which had proved successful in foreign countries or in China's special economic zones or which had not received a sufficient trial elsewhere in China would be tried out on Hainan Island.

03350

Shenzhen Leads in Electronics Exports
OW180400 Beijing XINHUA in English
0209 GMT 18 Feb 88

[Text] Shenzhen, February 18 (XINHUA)—Shenzhen in Guangdong Province exported 779 million yuan (211 million U.S. Dollars) worth of electronics equipment last year to rank first nationwide.

Now with more than 300 enterprises manufacturing electronics items, the output value from Shenzhen's electronics industry topped 2.5 Billion yuan (676 million U.S. Dollars) in 1987, second only to Shanghai, China's largest city.

A city official attributed the success to more imported advanced technology and cooperation between Shenzhen enterprises and research institutions across

02455

ECONOMIC ZONES

Zhuhai To Restore Incentives for Foreign Investors
HK200317 Hong Kong HONGKONG STANDARD in English 20 Feb 88 p 5

[Text] Zhuhai—The nearly empty streets and vacant buildings of Zhuhai are a stark reminder that China's much-publicised modernisation programme and opening to the West are not without problems.

The Zhuhai Special Economic Zone, an experiment in Chinese capitalism near Macao, has failed to take off as expected, but officials say there is nothing to worry about.

Zhuhai has major expansion plans requiring overseas money, but officials admit they have failed to grant tax breaks and other perks that the law makes available to foreign capitalists.

Incentives for foreigners will be restored this year, the officials said and they appear determined to go forward despite such other drawbacks as a business slump and competition from bustling Shenzhen, and older and larger Special Economic Zone near Hong Kong, which also is dependent on foreign funds for factories and infrastructure projects.

The idea seems to be to make Zhuhai as attractive to foreigners as it is to the Chinese army, which a Hong Kong banker familiar with the port said uses it as a receiving point for "strategic items" such as oranges from California, lamb chops from New Zealand, and beef from the U.S.

The port of Zhuhai is used almost exclusively by the military because, so far, it cannot serve regular shippers without a customs facility, which has yet to be built.

Special Economic Zones such as Zhuhai and Shenzhen are a key feature of China's eight-year, "open-door" flirtation with Western ways.

Mr Zeng Xianqiang, the deputy director of Zhuhai's Foreign Affairs Office, said the immediate plan was to soak up investment for food processing, garment manufacturing, and toy factories—items that were easily exported and for which labour was available.

He said the city was ready to offer longer tax abatement and lower land-use fees than Shenzhen to attract new business.

Asked how much money Zhuhai needed, Mr Zeng said: "The more the better."

Zhuhai's longer-range plans call for building electric power plants with a total capacity of 400 megawatts as well as water supplies, rail, and highway developments.

Its mayor, Mr Liang Guang Da, said a feasibility study to expand Zhuhai's small container port also was planned.

The port, which can service ships up to 10,000 tonnes, eventually will be able to handle ships up to 30,000 tonnes, officials said.

But the mayor's grand plan is mired in what one Hong Kong banker who specialises in China finance called "the failure" of Zhuhai.

"Zhuhai is overbuilt and cannot capitalise on the economy of Macao the way Shenzhen does on that of Hong Kong," the bankers said.

Zhuhai opened as a Special Economic Zone in 1980 and was expected to become a support base for the burgeoning oil industry China hoped would develop in the South China Sea.

The hoped-for boom, however, all but went bust. Western and Japanese oil companies spent billions of dollars but found little more than one good pocket of natural gas and some small oil deposits.

But things aren't all bad for the city of 50,000, according to the Chinese.

It has about 350 joint ventures with foreigners worth \$3.5 [presumably Hong Kong dollar—FBIS] billion and officials said industrial output was worth \$616 million in the first quarter of 1987, 45 percent higher than the same period last year.

05390

Hainan Land Management Measures Promulgated

48981E Beijing XINHUA Domestic Service in Chinese 1228 GMT 18 Feb 88 [Text] Haikou, 16 Feb (XINHUA)—According to the "Hainan Land Management Measures" promulgated by the Preparatory Group for the Establishment of Hainan Province, a system of compensatory use of land will be instituted in Hainan, meaning that the rights to use land in Hainan may be sold, transferred, or mortgaged on a compensatory basis; and that companies, enterprises, and individuals in Hong Kong, Macao, Taiwan, and foreign countries will be allowed to develop and operate Hainan's land resources, or use them according to contractual terms.

According to the land management measures—which are drawn up for developing, utilizing, and preserving land resources scientifically and rationally to keep pace with Hainan's needs in opening to the outside world and developing an export-oriented economy—the people's governments of Hainan and its cities and counties shall centralize the management, planning, and development of land in Hainan, including developed and undeveloped cropland, woodland, water surfaces, tidal land, barren hills, uncultivated land, and land for construction purposes. Except for collectively-owned land prescribed by law, all land in Hainan belongs to the state. Those units and individuals using state-owned land according to law are entitled to use, not to own, the land which they are using.

The "Hainan Land Management Measures" provide:

—Any companies, enterprises, or individuals in foreign countries, Hong Kong, Macao, and Taiwan can acquire the right to use land in Hainan through compensatory

transactions or transfers. The right to use a piece of land obtained through transaction generally should not exceed 70 years. Whoever needs an extension of the right shall reapply for its use and pay additional fees. Rights to use land may be transacted through negotiations or open bidding.

In case he meets the relevant requirements, a land user who, through a government-sponsored transaction, has acquired the right to use a piece of land on a compensatory basis, may transfer that right, or mortgage that piece of land to a Chinese or foreign bank, or its financial organs, for a loans. However, he can only transfer or mortgage the remaining part of the prescribed period in which he is entitled to use that piece of land. The right to use a piece of land is transferable when the land is given out as a gift, sold, traded, or legitimately inherited.

—State-owned land that has already been used by government organs, enterprises, institutions, military units, or individuals prior to the promulgation of the land management measures shall also be managed under the compensatory system, and the period of the use of such land shall also be limited. This means that the period for the use of such land shall be rescheduled, and the users are required to pay land use fees.

—Land for construction use includes land for construction projects of the state, town or township-operated enterprises, foreign investors, and townships (towns) and villages, as well as land for housing construction by people in urban and rural areas. Except for land used for collective construction projects of townships (towns) and villages, as well as land for rural housing construction, the right to use land for all other construction projects shall be transacted or transferred on a compensatory basis.

The "Hainan Land Management Measures" emphatically point out: The land of all natural reserves and reserves for high-yield cropland and tropical plants, as well as reserves for production of famous or special products, may not be used for construction. If such land has to be requisitioned because of special needs, the requisition must be reported to the Hainan People's Government for approval. To ensure rational development and exploitation of tourism resources, scenic areas, and areas with cultural and historic relics shall be delimited and protected.

02436

LABOR

Much Progress, Good Prospects Claimed for Overseas Labor Programs

Contracts Total \$7.5 Billion

40060109 Beijing JINRONG SHIBAO in Chinese 17 Dec 87 p 1

[Article by reporter Hu Limin [5170 4539 3046]: "Great Potential Exists for China's Overseas Labor Programs: We Have Signed Contracts for 4,700-Plus Projects in 107 Countries and Regions Worth a Total of \$7.5 Billion"]

[Text] Reform and the policy of opening up to the outside world have promoted rapid development in China's overseas labor cooperation. To date, we have signed more than 4,700 labor service contracts with 107 nations and regions; these contracts involve \$7.5 billion in business, of which \$4.2 has been completed, and a total of 250,000 workers have participated in the labor cooperation programs. This cooperation has been varied and flexible in form and content and has gradually been extended from the Middle East, North Africa, Hong Kong and Macao to North America, Japan and Western Europe.

In terms of the projects and the contracts involved, we have moved from providing only labor to subcontracting, independent contracting and general contracting. More than 10 of the 72 business firms under the supervision of the Foreign Economic Cooperation Bureau of the Ministry of Foreign Economic Relations and Trade have signed contracts involving more than \$100 million in work. Of all the work contracted, construction projects account for 80 percent, while pure labor comprises only 20 percent. The Overseas Division of the China National Construction Engineering Corp, which accounts for one-third of China's total overseas contracts and labor cooperation can now undertake \$100 million projects and can arrange for a number of firms to cooperate on a project. In a single agreement signed in 1984, the corporation contracted to build four dams for Kai-fei-er xi-na-fei-ya [Kai-fei-er Industrial ? 0418 5481 1422 1585 4780 5481 0068] of Iraq, which were completed, in accordance with quality specifications, early this year, which shows the great strength of the company.

In the area of labor cooperation, we have advanced from providing physical labor to supplying intellectual service. Now in addition to sailors, construction workers and cooks, we also supply a variety of technicians and managers. The China International Engineering Consulting Co, which was established in 1983, and the Technical and Intellectual Cooperation Center of the State S & T Commission, which was set up in 1985, primarily supply sophisticated services. The Fujian International Economic Cooperation Co, which was formed in 1983, has as many as 100 key technicians stationed in Hong Kong, including engineers, senior engineers, project managers, local managers, chief surveyors, chief assessors and other technicians and managers licensed by the Hong Kong government.

In response to changes in international markets, China's overseas economic cooperation has expanded in scope from pure labor cooperation to diversified operations involving industry, agriculture, construction, transport, tourism, resource development, medicine and health, foodstuffs, finance, insurance, real estate and other sectors. In 1979, we had only 4 wholly owned companies or enterprises involved in joint ventures dealing in non-trade cooperation, but now we have 311 such firms distributed in 53 countries and regions on five continents of the world with a total of \$880 million in

investment. The Overseas Division of the China National Construction Engineering Corp, the China Civil Engineering Corp and other firms have already joined the ranks of comprehensive multinationals. The former has 23 agencies abroad, has set up 10 joint ventures and has created an operations network centered in the Middle East, North Africa and Southeast Asia. And the China Civil Engineering Corp has set up 12 wholly owned companies and joint ventures abroad. These events signify China's entrance into a new stage of overseas economic cooperation.

Commentary on Labor Contracts

40060109 Beijing JINRONG SHIBAO in Chinese
17 Dec 87 p 1

[Commentary: "Labor Service Enjoys Bright Prospects for Earning Foreign Exchange"]

Following the development of China's overseas economic cooperation, the amount of foreign exchange we earn through exports of labor service has grown steadily, and gratifying changes have occurred in our foreign exchange earning mix. But compared to world levels, our labor service exports remain low. According to statistics, over the last 15 years, world labor service trade has grown 10-fold—a growth rate that greatly surpasses that of visible trade—from \$100 million to \$1 trillion, and now accounts for one-third of all world trade. The number of Chinese involved in this trade is less than one percent of the international total, and we earn less from this trade than a number of undeveloped countries. This shows that much potential remains for the development of our labor service exports.

According to the internationally accepted definition, labor service trade involves all economic activity beyond primary and secondary industry, including catering, services, tourism, technology, banking and the like, and in contradistinction to trade in physical goods, is called invisible trade. Because labor service trade is not conditioned by availability of natural resources, capital and other factors, countries have attempted, through policy inducements and support, to increase their exports of labor service so as to earn more foreign exchange, and thus labor service has been growing in importance as a source of foreign exchange earnings. China remains at the preliminary stage of socialism, is limited in terms of capital, resources, markets and many other factors, and in the near future cannot use traditional, visible exports to supply the foreign exchange she needs to finance economic development. So foreign exchange shortage is a severe obstacle to the take-off of our economy. Thus developing a multitiered and effective system of labor service exports not only possible but also greatly needed.

From recent experience, it is apparent that our labor service exports have upheld the guiding principles of mutual benefit and development and thus have not created any employment problems for our partners. In addition, we have been very selective concerning the

physical and professional qualifications of the workers we have sent abroad and thus, whether our projects have involved groups of or individual workers, have been able to fulfill all our contractual obligations and win praise from all of our partners. This experience has created favorable conditions and an excellent foundation for continued growth in our exports of labor service.

To expand our labor service exports, we must make full use of China's abundant labor resources and use training so as rapidly to create a highly specialized and solid corps of workers. Meanwhile, we must also expand the range of our services, place special emphasis on the development of folk skills so as to achieve competitive advantage with forms of cooperation that are richly imbued with our cultural heritage, and use the forms of cooperation favored by the people of the world to transform our labor service exports from primary and monolithic forms to advanced and comprehensive forms.

12431

PRC MEDIA ON FOREIGN ECONOMIES

Changing Soviet Bloc Attitudes Toward Price Reform

40060088 Shanghai SHIJIE JINGJI DAOBAO in Chinese 7 Dec 87 p 5

[Article by Gan Shijie [3927 1102 2638]: "Shifts in Thought on Price Reform in European Countries. Turning From Blind Faith in Book Learning Towards Reality; Moving From Highly Centralized Systems Towards Decentralized Ones; Turning From Severe Rigidity Towards Nimble Flexibility; Moving Away From Subjective Fabrication Towards Following What is Objective; Moving From Being Out of Line Towards Gradually Linking Together; Moving From Doing Things Piecemeal Towards Linking Elements Together to Form a Whole."

[Text] Since the 1950s, the Soviet Union and the nations of Eastern Europe have undertaken frequent reforms of their traditional price setting systems. While exploring paths of thinking which lead to deeper reforms, these nations arrived at many common points.

First, from a theoretical point of view, these countries have moved from blind faith in book learning towards reality. Soviet and East European economists have begun to feel that they must develop their own ideas and draw new conclusions while adhering to the premises of the Marxist stand, viewpoints, and methods. Even Gorbachev has said: "I do not think it matters whether the experiences are those of our own country or those of other socialist countries; only if we are adept at utilizing them will they aid the process of strengthening the socio-economic relationship."

Secondly, regarding management authorities, these nations have shifted from the highly centralized to the decentralized. Experience over a long period has proven that if economic management authority is overly centralized, then everything else needs to be managed. Things then get to the point where management cannot differentiate affairs of greater urgency from those of lesser urgency or things of primary value from those of secondary value. In such cases, management is forced to be rigidly uniform in all its dealings. Under circumstances where management control is overly centralized, price adjustments cannot be made in a timely manner even when production and sales patterns are continuously changing and even when values are likewise changing as well. As a result of this problem, production is seriously affected. In order to help improve the development of production and the growth of their national economies, the Soviet Union and the East European countries have reformed their management institutions and have gradually delegated price management authority to lower levels.

Third, with regard to price intervention, these countries have moved from severe rigidity towards more flexibility. Under their traditional pricing systems, once prices were formulated, they could not easily be changed. Prices would even go through several 5-year plans without adjustment. Such practice was a manifestation of over intervention by government. As a result, prices not only failed to reflect values, they reflected even less the relationship between supply and demand; prices became inflexible and rigid shackles. But, on the other hand, if the governments didn't intervene in prices; if they adopted a laissez-faire attitude, then prices would have experienced rapid rises and falls which would have produced sudden changes in production and sales. This would have brought chaos to national economic market and to the markets affecting the daily lives of the people. For these reasons, given the prerequisite that they regulate price levels and price structures, and given the fact that they adopt mixed pricing systems, the Soviet Union and the East European nations reformed their individual pricing systems by implementing different levels of intervention. They did so by distinguishing among the different characters and scopes of their individual systems according to the specific circumstances of each nation. Such measures show great flexibility.

Fourth, with regard to pricing structures, these countries are moving from subjective price fabrications towards objective pricing. Under their traditional economic policies, they believed that they could automatically accumulate funds for socialist construction if prices for consumer goods were kept high, while natural resources were made cheap, agricultural by-products prices were held at par, and capital goods prices were kept low. Experience over a long period shows that the slight gap between industrial and agricultural prices not only widened, but an extremely unreasonable pricing structure developed between the products of industrial and mining enterprises. Consequently, as the Soviet Union and

East European countries reformed prices, they gradually paid more attention to changing their viewpoints and official policies; they based their actions on the principle of the average socially necessary consumption of labor, and they thereby made positive readjustments to unreasonable price structures so that they would conform with reality.

Fifth, regarding the relationship between internal and external [prices], the Soviet Union and the East European countries have moved from keeping internal and external prices out of step with one another towards gradually linking them together. This "relationship of the internal to the external" refers to the relationship between domestic and international prices. According to the traditional viewpoint, a socialist economy is one in which planning is undertaken according to the principles of proportionality, and because markets in socialist economies had already emerged in the world, there was no need for individual socialist nations to open their economies to capitalist markets. Though out of necessity socialist nations have made economic and trade contacts with the outside, they still preserved separate internal and external prices. However, experience has proven that maintaining internal and external prices which are out of step with one another is like standing still and refusing to make progress. As a result, the Soviet Union and the East European countries have recognized that they must gradually adopt measures to link domestic prices with international prices so that their nations can increase the competitiveness of their products, increase their economic and trading ties with other countries, develop their science and technology, and accelerate the growth of their national economies.

Sixth, regarding reforms: when carrying out reforms, the Soviet Union and the nations of Eastern Europe have changed from conducting reform on a piecemeal basis to linking all elements together to reform a whole. Given the fact that a commodity-currency relationship still existed in socialism, these nations began to realize that taxes, wages, credit, and profits were just like prices, because they are also closely related to value. Therefore, they could form common interests within the economy which would directly affect the tripartite interests of the state, the collective, and the individual. Even though they could form common interests with one another, each of these elements still has its individual function within a socialist economy's operating mechanisms. Although they depend on the others for survival, they also influence and restrain each other. Their mutual relationship is intricate and complex. That is why these countries will work to no avail if they try to carry out reforms on a piecemeal basis. If they want to succeed in reforming their pricing systems, they must not only regulate their systems of pricing structure, but also reform their systems of pricing management as well. And even more importantly, they must simultaneously bring corresponding reforms to taxation, currency, wages, and profits, linking all these reforms together to create a whole.

12669/9738

AGRICULTURE

Regulations on Forest Fire Fighting, Prevention

OW120925 Beijing XINHUA Domestic Service in
Chinese 2353 GMT 7 Feb 88

[Text] Beijing, 8 Feb (XINHUA)—The State Council recently promulgated the "Regulations on Forest Fire Prevention" and notified all provincial, autonomous regional, and municipal people's governments and all departments under the State Council to comply and implement these regulations. The full text of the "Regulations on Forest Fire Prevention" is as follows:

Regulations on Forest Fire Prevention

(Promulgated by the State Council on 16 January 1988)

Chapter I. General Principles

Article 1. These Regulations are drawn up in compliance with the relevant provisions of the "Forestry Law of the People's Republic of China" in order to effectively prevent and extinguish forest fires, protect forest resources, promote development of forestry, and maintain ecological balance of nature.

Article 2. Forest fire prevention referred to in these regulations means prevention and putting out of fires in forests, trees, and timberland. These regulations apply to forest fire prevention in all areas except downtown areas of cities.

Article 3. The principle of "giving priority to prevention, and actively extinguishing the fire" applies to forest fire prevention.

The state shall actively support scientific research in forest fire prevention, and popularize and apply advanced science and technology.

Article 4. The system that places the responsibility on the administrative leadership of people's governments at all levels is implemented for forest fire prevention.

Leading departments of forestry at all levels are charged with important responsibility for forest fire prevention. Under the leadership of local people's governments, all units in forest areas should implement the system that places the responsibility on leadership of departments and units.

Article 5. Preventing and extinguishing forest fire and protecting forest resources is the duty of every citizen.

Chapter II. Forest Fire Prevention Organizations

Article 6. The Central Headquarters for Forest Fire Prevention is set up by the state to perform the following responsibilities:

1. Inspect and supervise the implementation of state principles, policies, and decrees as well as major administrative measures on forest fire prevention by all localities and departments, and provide guidance to the localities in forest fire prevention;
2. Organize the efforts of localities and departments concerned to extinguish serious forest fires;
3. Promote coordination between provinces, autonomous regions, and municipalities and between departments for solving major problems in forest fire prevention; and
4. Make decisions on other important issues in forest fire prevention.

The Office of the Central Headquarters for Forest Fire Prevention is set up in the department in charge of forestry under the State Council.

Article 7. Where necessary, local people's governments at all levels should make arrangements with departments concerned and local Army units to set up forest fire prevention headquarters which will be responsible for preventing forest fires in their localities. Forest fire prevention headquarters at and above the county level should have an office as well as full-time cadres to handle day-to-day work.

Local forest fire prevention headquarters at all levels have the following responsibilities:

1. Implement state principles and policies on forest fire prevention, and supervise the implementation of these Regulations and related decrees;
2. Conduct propaganda and education on forest fire prevention, formulate forest fire prevention measures, and organize the masses to prevent forest fires;
3. Make arrangements to conduct safety inspection to prevent forest fires, and remove hidden danger of fires;
4. Organize the efforts to conduct scientific research on forest fire prevention, popularize advanced technology, and train professionals in forest fire prevention;
5. Inspect the plans for and construction of local forest fire prevention facilities, and organize units concerned to safeguard and manage fire prevention facilities and equipment;
6. Understand the development of fire situations, formulate contingency plans for putting out fire, and exercise unified command to extinguish forest fires;

7. Cooperate with authorities concerned to investigate and handle forest fire cases; and

8. Prepare statistics on forest fires, and establish archives on fires.

In localities without forest fire prevention headquarters, the responsibilities of forest fire prevention headquarters rest with departments in charge of forestry at the corresponding level.

Article 8. State-run forestry enterprises and establishments, military units, railways, farms, ranches, industrial and mining enterprises, natural reserves, and other enterprises and establishments, as well as hamlets and collective economic organizations in forest zones shall establish relevant fire prevention organizations to take charge of preventing local forest fires under the leadership of the local people's governments.

To control forest fires, the principle of mobilizing the masses as well as full-time fire fighters shall be followed. All units in forest zones shall form fire brigades and intensify the training of the brigade members so as to improve their proficiency. State-run forestry bureaus and forestry centers shall also form full-time fire brigades.

Article 9. In forest zones where administrative regions meet, the people's governments there shall organize joint fire-prevention forces, assign them a coordinator, delimit fire prevention districts, draw up regulations and measures, and supervise fire prevention projects in those districts.

Article 10. According to actual needs, all local people's governments and state-run forestry enterprises and establishments may establish fire-prevention organizations, such as fire stations or checkpoints, in forest zones, and assign them full-time personnel. The establishment of these organizations is subject to the approval of county- or higher-level people's government, or units authorized by them. These organizations have the authority to make fire-prevention checks on vehicles and people before letting them enter forest zones.

Article 11. In accordance with actual needs, people's governments of the state, provinces, and autonomous regions shall use airplanes to preserve the vast, state-owned forests, and step up the formation of units of armed forest ranchers so as to gradually specialize and modernize prevention of forest fires.

Article 12. Grassroot units which own wooded areas and grassroot units in forest zones shall assign part-time or full-time personnel to take charge of preservation of wooded areas. Specific duties of these personnel are: Patrolling the wooded areas, controlling the use of fire in outdoor areas, reporting any fire promptly, and assisting the relevant organs to handle cases of forest fires.

Chapter III. Prevention of Forest Fire

Article 13. Local people's governments shall delimit wooded areas among them, and define their respective fire-prevention responsibilities in those areas. They shall designate specific units to take charge of prevention of forest fire, specify their responsibilities, and carry out periodic inspections.

Forest zones shall institute a system under which fire prevention is the responsibility of both military and civilian units.

Article 14. People's governments at all levels shall regularly educate the people on fire prevention, and make sure they take precautionary measures against forest fires.

In accordance with the local natural conditions and the law of fires, local county- or high-level people's governments shall designate specific periods of preventing fires in wooded areas. When the weather is hot, dry, and windy during those periods, they may cordon off fire-prevention areas and stipulate specific times for fire prevention.

Article 15. During the forest fire prevention periods, outdoor use of fire shall be prohibited. If use of fire is necessary because of special reasons, the following rules shall be strictly followed:

1. Productive use of fire—like burning grass on waste land, burning hay, producing plant ash for manure, burning peanut stalks, reclaiming hilly areas for afforestation, and building fire breaks—shall be approved and licensed by a county-level people's government, or a unit authorized by it.

Any unit authorized to use fire shall designate special personnel to supervise the process. To guard against fire, a fire break shall be opened, and fire extinguishers shall be at hand before the burning, which shall be permitted only when wind force is grade 3 or weaker.

2. Personnel entering a forest zone shall have permits issued by the local county- or higher-level forestry authorities, or units authorized by them.

Personnel engaged in sideline forestry production shall operate in designated areas. Fire shall be used only in fire safe areas, which should be surrounded by fire lanes. After using fire, residual fire must be completely extinguished.

3. Anyone working in a forestry zone shall have a permit issued by a forestry unit authorized by a provincial-level forestry department.

Article 16. During the forest fire prevention period, all motor vehicles operating in or passing through forest zones must be installed with fire-preventing equipment,

and other effective measures must be taken to prevent fires caused by a leak from a vehicle, backfiring of a vehicle, or loosening of its brake shoe. Drivers and service personnel aboard passenger trains and buses passing through forest zones must conduct education in fire prevention and safety among passengers to strictly prevent any of them from carelessly throwing away lighted materials.

Units responsible for preventing forest fire shall set up fire lanes or cordons at railroad sections faced with danger of fires and assign patrol personnel to see to the work of patrolling and firefighting.

Personnel operating machinery equipment in the open country and in forest zones must follow the fire prevention safety procedures and pay close attention to preventing fires.

Article 17. During the forest fire prevention period, hunting boars with guns in forest zones is prohibited. Practice with live ammunition, using dynamite, survey and construction, and other such activities must be approved by forest administration units which are empowered by provincial-level departments in charge of forestry. In addition, fire prevention measures must be taken and preparatory work for firefighting properly done.

Article 18. During the period of enforcing the regulations on preventing forest fires, making a fire in the open country for whatever purpose is strictly prohibited. Machinery and fire made by residents for living, which may possibly cause a forest fire, should be kept under strict control.

Article 19. The people's governments at all levels should organize units concerned to install facilities for prevention of forest fires in the forest zones in a planned way by:

1. Erecting fire observation towers;
2. Setting up fire lanes or cordons or firebreak shelterbelts around national boundaries on the side of Chinese soil; inside the forests; around the rim of the forests and villages; and around industrial mining enterprises, warehouses, schools, barracks, important installations, scenic spots and historical sites, and places with revolutionary history;
3. Acquiring means of transportation for fire prevention, devices and machinery for probing and fighting fire, and communication equipment; and
4. Building roads for fire prevention and warehouses for storage of fire-prevention equipment and materials at key forest zones. Installation of facilities for forest fire prevention should be planned in conjunction with the development of forest zones and afforestation.

Article 20. The forest fire prevention headquarters of the provinces, autonomous regions, and municipalities directly under the central government, or the responsible forestry departments, should establish systems governing the use and control of vehicles, machinery, equipment, and facilities specially for forest fire prevention. Regular checks should be made to ensure that they meet the needs of fire prevention and firefighting.

Article 21. The meteorological departments and the responsible forestry departments should jointly set up stations (points) for monitoring and forecasting forest fires. In accordance with the requirements of forest fire prevention, the meteorological departments at all levels should do a good job in monitoring, observing, and forecasting weather in connection with the danger of a forest fire. In particular, the job of weather forecasting in connection with the high-degree danger of a fire should be done well. The press, radio, and TV departments should announce in a timely manner weather forecasts related to the danger of a forest fire and issue weather warnings concerning high-degree danger of a fire.

Chapter IV. Putting Out A Forest Fire to Save Life and Property

Article 22. Upon sighting a forest fire, all units or individuals must immediately strive to put it out to save life and property, and report to the local people's governments or the forest fire prevention headquarters in good time.

As soon as the local people's government or the forest fire prevention headquarters has received a report, it must immediately organize the local military and civilians to put out the fire to save life and property. Meanwhile, it must report to the provincial-level forest fire prevention headquarters or the responsible forestry departments through proper channels.

The provincial-level forest fire prevention headquarters or the responsible forestry departments should immediately report to the Office of the Central Headquarters for Forest Fire Prevention on the following forest fires:

1. A forest fire near a national boundary;
2. A major or specially large forest fire;
3. A forest fire that has caused more than one death or serious injury to more than three persons;
4. A forest fire that threatens residential areas or important installations;
5. A forest fire whose visible flames have not been put out within 24 hours;
6. A forest fire in an undeveloped virgin forest;

7. A forest fire threatening the common boundary of a province, autonomous region, and municipality directly under the central government; and

8. A forest fire that needs support and assistance from the central authorities to put it out.

Article 23. The fighting of a forest fire shall proceed under the centralized organization and command of the local people's government or fire-prevention headquarters. Upon being notified to battle a fire, all units and individuals shall promptly set forth to the destination and take part in the endeavor.

Handicapped personnel, pregnant women, and children shall not be mobilized to fight a forest fire.

Article 24. While fighting a forest fire, meteorological departments shall furnish weather information relevant to the fire; railway, communications, and civil aviation departments shall give priority consideration to providing the needed means of transportation; postal and telecommunications department shall ensure uninterrupted traffic; civil affairs departments shall properly resettle the fire victims; public security departments shall promptly handle the case and intensify security control; and commercial, supply and marketing, food, material, and public health departments shall ensure material supply and medical treatment services.

Article 25. After extinguishing a forest fire, a general inspection shall be conducted in the fire-stricken areas, residual fires must be located and extinguished, adequate number of personnel shall be assigned to watch the stricken areas, and these personnel shall not be withdrawn until the devastated areas have been checked and approved by the local people's government, or the fire-prevention headquarters.

Article 26. State personnel (including contract workers and temporary workers, same below) who are injured, disabled, or have died from fighting the fire shall be treated and compensated for by their units; and non-state personnel shall be treated and compensated for according to regulations set by competent authorities under the State Council. If the fire-stricken unit is not responsible for the fire, or cannot afford the medical expenses or the compensation, the expenditures shall be borne by the local people's government.

Article 27. The fire fighting expenses shall be defrayed according to the following rules:

1. During the fire fighting period, state personnel's wage and traveling expenses shall be paid by his unit;
2. During the fire fighting period, the living allowance for state personnel, and living allowance for non-state personnel and subsidy for their loss of working hours, as well as other expenses during the fire fighting period shall, in accordance with the regulations of the province,

autonomous region, or municipality directly under the central government, be borne by the unit or individual who cause the fire. If the cause of fire is unknown, the expenses shall be borne by the unit where the fire takes place; and

3. The local people's government shall pay the portion of expenses mentioned in the above paragraph when the unit or individual who caused the fire, or the unit where the fire took place, is indeed unable to pay.

Chapter V. The Investigation and Statistics of a Forest Fire

Article 28. The types of forest fires are divided into:

1. Forest fire alarm: A fire which has burned woodland smaller than 1 hectare, or a fire that takes place in some other wooded areas;

2. An ordinary forest fire: A fire which has burned woodland larger than 1 hectare but smaller than 100 hectares;

3. A major forest fire: A fire which has burned woodland larger than 100 hectares but smaller than 1,000 hectares; and

4. A catastrophic fire: A fire which has burned woodland larger than 1,000 hectares.

Article 29. After the outbreak of a forest fire, local people's governments or forest fire prevention headquarters should promptly organize departments concerned to conduct investigation to determine the starting time, location, causes and perpetrators of the fire, as well as damaged and preserved acreage; understand the progress of fire-fighting, material consumption and other economic losses, casualties as well as the effect on ecological environment of nature; and archive this information accordingly.

Cases of forest fires listed in items 1 through 3 of paragraph 3 of Article 22 and those that affect residential areas, destroy important facilities or cause other major losses shall be filed in special archives by the provincial forest fire prevention headquarters or departments in charge of forestry, and reported to the Office of the Central Headquarters for Forest Fire Prevention.

Article 30. Local forest fire prevention headquarters or departments in charge of forestry should collect statistics on forest fires as required by the statistical report on forest fires, and submit reports to departments in charge at a higher level as well as the statistical departments at the corresponding level. The department in charge of forestry under the State Council shall prepare the forms for the statistical report on forest fire and submit them to the statistical departments for the record.

Chapter VI. Rewards and Penalties

Article 31. People's governments at and above the county level shall reward units and individuals who have:

1. Strictly implemented the decrees on forest fire prevention, taken effective measures to prevent and extinguish fires, and reported no forest fires for 3 consecutive years or more in their respective administrative regions or districts for which they are responsible for forest fire prevention;

2. Taken prompt, effective measures and actively organized the efforts to put out forest fires, or played an exemplary and leading role and achieved remarkable results in putting out forest fires;

3. Promptly reported forest fires as soon as they were discovered, and done their best to put out fires, thereby preventing grave losses;

4. Promptly stopped or reported to the authorities arsonists as soon as they were discovered;

5. Made contributions to investigating and handling forest fire cases;

6. Made inventions on scientific research in forest fire prevention; and

7. Worked for 15 consecutive years or more to prevent forest fires and produced good results.

Article 32. Perpetrators of acts listed in items 1 through 4 below are subject to fines of 10 to 50 yuan or warning. Perpetrators of act listed in item 5 below are subject to fines 50 to 100 yuan or warning. Perpetrators of acts listed in item 6 below shall be ordered to replant a forest area within a time period, and compensate for the losses incurred. They may also be fined 50 to 500 yuan at the same time.

1. Smoking and wilfully making fire in the field within a forest fire prevention period, but without incurring losses;

2. Entering forest zone without authorization in violation of provisions of these Regulations;

3. Operating motorized vehicles and machinery in violation of provisions of these Regulations;

4. Failure to remove hidden dangers of forest fire despite notification by forest fire prevention headquarters or departments in charge of forestry;

5. Failure to obey the orders by the fire-fighting commanding organs or incurring losses through delay, thereby adversely affecting fire-fighting and rescue work; and

6. Causing forest fire by error which did not result in serious losses.

The responsible person associated with any of the above-mentioned acts or personnel who are guilty of dereliction in forest fire prevention may also be given administrative penalties by the units to which they belong or supervisory departments according to the severity of their cases and consequences.

Article 33. The disciplinary punishment stipulated in Article 32 shall be decided by the responsible forestry department above county level or by its authorized unit.

If the party concerned refuses to obey the decision of disciplinary punishment made by the responsible forestry department or its authorized unit, he may file a law suit in a people's court within 1 month after the date he is served the notice of punishment. When the 1-month period expires and he has neither filed a law suit nor fulfilled his obligation, the responsible forestry department or its authorized unit may then request the people's court to enforce disciplinary punishment.

Article 34. Those who have violated the forest fire prevention regulations should be punished by detention in accordance with the stipulations of the "Regulations Governing Penalties for Offenses against Public Security of the People's Republic of China." The detention will

be decided by the public security organs. If the case has serious consequences and constitutes a crime, the judicial organs will conduct an investigation to determine responsibility for it.

Chapter VII. Supplementary Articles

Article 35. The forest zones referred to in these Regulations will be demarcated by the people's government of every province, autonomous region, and municipality directly under the central government in the light of local realities and then reported to the responsible forestry department under the State Council for the record.

Article 36. The responsible forestry department under the State Council shall be responsible for the explanation of these Regulations.

Article 37. The people's government of a province, autonomous region, and municipality directly under the central government may formulate measures for implementation on the basis of these Regulations and in the light of local realities.

Article 38. These Regulations will go into effect on 15 March 1988.

National Cotton Procurement

40060151a Beijing JINGJI RIBAO in Chinese
18 Jan 88 p 1

[Excerpt] As of 5 January, China had procured 3,610,000 tons of cotton, a 16.3 percent increase over the same period in 1987.

EAST REGION

Zhang Kun Delivers Shandong People's Procuratorate Work Report

SK220329 Jinan DAZHONG RIBAO in Chinese
31 Jan 88 p 2

[Report on the work of the Shandong Provincial People's Procuratorate delivered by Zang Kun, chief procurator of the provincial People's Procuratorate, at the first session of the Seventh Provincial People's Congress on 29 January 1988: "Conscientiously Perform the Duty of Exercising Legal Supervision and Safeguard Socialist Democracy and the Legal System"]

[Excerpts] On 29 January, at the third meeting of the first session of the Seventh Provincial People's Congress, Zang Kun, chief procurator of the provincial People's Procuratorate, delivered the "Report on the Work of the Shandong Provincial People's Procuratorate."

Zang Kun said: Over the past few years, we have firmly implemented the principle of "dealing severe and prompt blows" according to the law, and dealt severe blows to serious criminal offences. In close coordination with public security organs, judicial organs, and the people's courts, procuratorial organs at all levels throughout the province have always directed the spearhead of struggle at the principal criminals of hooligans' gangs which were rampant for awhile and at those serious criminal offenders guilty of murder, arson, bombing, robbery, rape, and serious theft; and have given approvals to arrest and prosecute such criminals as promptly as possible, thus expeditiously and effectively striking the arrogance of serious criminal offenders, and promoting the sustained and steady improvement in social order and public security.

Zang Kun said: To keep abreast of the demand of the newsituation and tasks, to better perform the duties entrusted by the law on procuratorial organs, and in light of the situation that there are more new elements in the procuratorial ranks, we have resolutely implemented the principle of "administering the police strictly," and have conscientiously organized cadres and policemen to constantly and penetratingly study the line, principles, and policies defined since the 3d Plenary Session of the 11th CPC Central Committee as well as the laws of the state and to uphold the four cardinal principles, thus enabling them to maintain political unanimity with the party Central Committee. In addition, we have launched the activity of "vying with one another in doing quality work" among procuratorial organs of the province, thus fostering a number of advanced collectives and individuals who refuse to practice favoritism, enforce laws impartially, and spare no effort in their work.

Zang Kun said: Reviewing the work in the past 5 years, we can see that the professional expertise, ideological style, and work style of the province's procuratorial ranks have been unsuitable for the demands of the

current situation and tasks; their level of law enforcement has been relatively low; the procuratorial work has developed unevenly; and the reform and construction of procuratorial organs have not developed greatly, which has adversely affected the normal development of the procuratorial work. In the future, we will be determined to better conduct various items of procuratorial work in lien with the guidelines of the 13th Party Congress and with the principle of "grasping construction and reform with one hand and grasping the legal system with the other hand," by centering on the "one central task" and the "two basic points" defined by the basic line of the initial stage of socialism. First, we will conscientiously organize the province's cadres and policemen engaged in the procuratorial work to study the documents of the 13th Party Congress in order to unite their ideology with the guidelines of the 13th Party Congress. Second, we will continuously concentrate on the campaign of "dealing blows to criminal offences and economic crimes," and make overall plans and scientific arrangements for various items of procuratorial work. Third, we will strengthen the reform and building of procuratorial organs themselves, and constantly improve the political and professional expertise of cadres and policemen in order to infuse our procuratorial workers' ranks with even greater vitality and fighting capacity. All in all, we will work hard for strengthening the building of the socialist democracy and the legal system, for making the province prosperous and the people affluent, and for building China into a strong, democratic, civilized, and modernized socialist country.

Former XINHUA Official Named Shanghai Foreign Affairs Adviser

HK210400 Hong Kong TA KUNG PAO in Chinese
21 Feb 88 p 1

[Text] Li Chuwen [2621 0328 2429], former deputy director of the Hong Kong branch of XINHUA, returned to Shanghai on his retirement some time ago. In view of his foreign affairs expertise and experience, the Shanghai Municipal Government has invited him to serve as its foreign affairs adviser. This new post was announced by Shanghai Mayor Jiang Zemin at an army-government and army-people tea party during the spring festival. Li has already taken up his duties.

SOUTHWEST REGION

LIAOWANG: Lhasa Rioters Accorded 'Lenient Treatment'

HK250238 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 7, 15 Feb 88 pp 18, 19

[Article by Chai Huaiji [2693 2037 0679] and Lang Jie [2597 0267]: "Leniency for Lhasa Rioters"]

[Excerpts] On 21 January, an open-air meeting place was arranged in the courtyard of the detention house on the eastern outskirts of Lhasa. The slogan "lenient treatment meeting" written in the Tibetan language could be

clearly seen over the meeting place. Facing the rostrum, 59 people of different ages and sexes were sitting in benches in good order. From their brown costumes and yellow and red woollen-knitted headdresses, it was clear that they were lamas and Buddhist nuns.

When FRG television reporters, who had come from Beijing for a special interview, and reporters from Tibet press units began to aim their cameras and video cameras at them, some of them covered their faces or lowered their heads. But most of them were looking attentively at the rostrum. They were waiting for the announcement of their treatment results.

At 1030, a responsible person from the Lhasa City judicial department announced the decision on lenient treatment:

"Planned and instigated by the Dalai clique, a small number of splittists created two disturbances in Lhasa on 27 September and 1 October 1987. They carried banners marked with 'lions of the snow mountains' and shouted the slogan 'independence for Tibet.' They destroyed and burned a patrol van of the public security department, looted property, beat public security officers, and set fire to the neighborhood office of the public security bureau, thus creating abominable incidents of bloodshed. The judicial department examined according to law the organizers of the incidents and those who took an active part therein.

"After 3 months of repeated and careful examination and investigation, we discovered the facts of how the two incidents had been planned and organized as well as the crimes most of the participants had committed. With the exception of a small number of criminals who need further investigation, most of the people involved in the incidents have admitted their crimes and are willing to abide by law and repent. Some have exposed the criminal activities of others. According to the policy of 'leniency for those who confess their crimes and severity for those who refuse' and in line with NPC Vice Chairman Banqen's recent suggestion, the Lhasa City judicial department has decided that the 59 people present here will be leniently treated and exempted from further investigation."

This solemn announcement caused some thought among the people down the rostrum. Their worried faces soon began to break into smiles. At this moment, the so-called "heroes" who ran rampant for a time and stirred up trouble were suddenly overcome with shame and remorse. Having no place to hide themselves for sgame, some lowered their heads between their knees, others kept rubbing their hands aimlessly, and still others, tears running down their cheeks, dared not look at the people around them...

The "1 October incident" was an outcome of the demonstration staged by 42 lamas from the Sera monastery during which they carried banners marked with "lions of

the snow mountains" and shouted the slogan "independence for Tibet." Luosang Dawa, a young lama who instigated the disturbance and took the lead in staging the demonstration, did not dare even to raise his head at the meeting. He said: "When I was detained, I thought I had been thrown into jail without any hope of getting out. I said to myself: This time I will go hungry and be beaten. I could not sleep at night and worried all day long over this. However, the leaders and working personnel of the detention house did not beat or scold me; instead, they were concerned about me and reasoned things out very patiently." He continued: "I was too ignorant before. I had blind faith in rumors. I have now realized that 'Tibet's independence' is a daydream!" He swore: "In case similar incidents take place, I will resolutely not participate. I will oppose anything detrimental to national unity and nationality solidarity and anything that ruins state property. I promise to become a patriotic, law-abiding lama."

Danqeng Daqing, director of the Zhebang monastic democratic management committee, thanked the government on behalf of the lamas for the lenient treatment accorded them. He severely criticized the lamas who took part in the riots and reminded them not to participate in any activity that harms the interests of the state and the people.

Sichuan State-Run Enterprises Abolish Life Tenure for Leading Cadres

*HK190928 Beijing RENMIN RIBAO in Chinese
9 Feb 88 p 1*

[Text] Dispatch from Chengdu, 8 Feb—With the approval of the Sichuan Provincial CPC Committee, the Organization Department of the Sichuan Provincial CPC Committee recently decided to introduce a mechanism for competition into the personnel management of state-run enterprises and abolish the leading cadres' life tenure system. Enterprises will thus have the right to choose their operators through public bidding. Once a state-run enterprise implements the contract or leasing system, the original rank of the enterprise and enterprise cadres will naturally be abolished. Cadres of enterprises under the contract or leasing system will therefore no longer be placed under the state administrative cadre management system.

Over the past 2 years, quite a few enterprises in Sichuan Province have implemented various types of the contracted management responsibility system. As a result, the majority of these enterprises have achieved good economic results. However, because the internal personnel system of the enterprises has not been thoroughly reformed, the further development of the enterprises has been hindered to a certain extent. In order to further perfect the employment system and personnel management system of the enterprises, Sichuan Province has now decided to allow the enterprises to choose their operators through public bidding. Once an enterprise operator is chosen and employed, he or she will have the

right to choose and appoint people to various management posts at various levels of the enterprise through public bidding, public selection, and public examination. The enterprise operator should not appoint close relatives or family members to the post of deputy director (manager) or other mid-level posts of the enterprise.

Once the management personnel of the enterprise are employed, they can enjoy treatment according to their official positions in the enterprise during their tenure of office. However, if they resign from office or if their employment is terminated, they will naturally lose this treatment. The management personnel in different posts can enjoy different treatment. If the original management or administrative cadres of the enterprise fail to be selected and employed at the new management posts of the enterprise, they should be assigned to proper production and management posts of the enterprise according to the principle that cadres can be transferred to a higher or a lower post as required. It is necessary to encourage these former administrative and management cadres to work in proper posts on the first front of production in the enterprise, in the large or small collectives of the enterprise, or in tertiary industry. The original salary scale of these cadres should be kept on record. Former cadres who have worked in the enterprise for 30 or more years and who are over 50 years old can keep their original treatment. Other former cadres of the enterprise are only allowed to do this for 1 year. After 1 year, these cadres can only enjoy treatment according to their positions. However, those who go to work in collective

enterprises should not be paid according to a salary scale that is lower than the salary scale of the enterprises under the system of ownership by the whole people. If these cadres want to work in other units, the enterprise should allow them to do so and should provide necessary conveniences to them.

After implementation of the public bidding system in enterprises, leaders of the party organizations and trade unions in the enterprises will still be elected by the party members' congress and workers' congress, respectively, according to the party Constitution and trade union constitution. During their tenure of office, leaders of the party organizations and trade unions cannot be removed from office when the operator of the enterprise is changed.

Sichuan Province has demanded that all areas in the province actively, properly, and gradually implement this major reform measure by proceeding from the actual conditions of the province. Therefore, small enterprises in Sichuan should extensively implement this major reform measure; medium-size enterprises with proper conditions should actively implement this major reform measure on a trial basis; medium-size enterprises without proper conditions should boldly carry out explorations in order to implement this major reform measure; and large enterprises should gradually and extensively implement this major reform measure after carrying out the relevant experiments in selected points.

Foreign Trade Body Hopes for More Trade With Japan

OW160521 Taipei CNA in English 0330 GMT
16 Feb 88

[Text] Taipei, Feb.16 (CNA)—The Board of Foreign Trade [BOFT] has completed a draft proposal to further promote the Republic of China's trade with Japan and has submitted it to the Ministry of Economic Affairs for approval.

BOFT had met with local exporters and officials from the China External Trade Development Council and other government agencies to perfect the draft.

Highlights of the draft include helping local enterprises participate in exhibitions in Japan, accelerating industrial and commercial cooperation between the two countries, improving the quality of packaging for goods being shipped to Japan, and further promoting marketing advertisements in Japan.

The ROC's market diversification efforts coincide with Japan's rising purchasing power in the wake of the drastic appreciation of the Japanese yen BOFT noted. Meanwhile, BOFT has also decided to establish a "barter trade information center" as part of the ROC's efforts to reduce its heavy reliance on U.S. and European markets. BOFT pointed out that although central and Latin America, Eastern Europe and Southeast Asia have large potential markets for the ROC's exports, barter trade is popular in the regions. BOFT hopes the information centre can help local exporters, of which small enterprises are its mainstay, to engage in barter trade.

Li Teng-hui's Views on Major Domestic Issues Reviewed

40050103b Taipei TZULI WANPAO in Chinese
12 Feb 88 p 2

[Excerpts] This writer has had several long talks with Mr Li Teng-hui [2621 4098 6540] over the last few years. I have sorted out parts of my personal records suitable for publication and are now making them available for reference by fellow countrymen.

1. President Li Teng-hui has a coherent philosophy on the relationship between agriculture and industry.

Put simply, President Li Teng-hui believes that for a while after Taiwan's recovery, agriculture bore the burden of nurturing the development of industry, enabling the latter to grow and mature. As industry flourished, farm incomes inevitably declined proportionally. At that point it immediately became a crucial issue in economic development overall as well as a major government concern to protect agriculture and increase farm incomes and profits.

Based on this line of thinking and assuming no change in objective conditions, the new agricultural policy may well be to subsidize farmers to an even greater extent in order to safeguard their interests and ensure that their earnings remain high in the modern economy.

2. President Li Teng-hui is a devout religious believer and his religious living naturally has influenced his political thought. He believes that "harmony" is the essence of political ideals. To achieve "harmony," everything must be based on "love."

President Li Teng-hui always stresses that if your starting point is love, you will be rewarded with love. He says, "There is a place for everything. That is how harmony comes about."

As provincial chairman and vice president, Mr Li Teng-hui was entrusted by President Chiang Ching-kuo to tackle numerous political disputes. People who have had contacts with him generally say he "understands" differences of opinion. Li Teng-hui himself believes that with "love," one can understand, contain, and resolve dissidence.

If we follow this vein of thinking and assuming no change in objective conditions, the avenues for resolving future political conflicts will only grow broader and broader.

3. President Li Teng-hui thinks that the greatness of a nation depends on whether or not it engages in the pursuit of basic knowledge extensively. Only a deep involvement in the pursuit of basic knowledge will give a nation a solid foundation and enable it to grow and last.

President Li Teng-hui also often emphasizes that a modern nation must allow its people to satisfy their diverse "legitimate needs" to the greatest extent possible. That, he says, is the only way for society to show its collective vitality. Hence the critical importance of opening up room where people can engage in a variety of legitimate activities.

President Li Teng-hui concedes that we have overlooked construction on the spiritual level. He says that when a nation has done well in material construction but is highly deficient in cultural construction, it should speed up the latter so that the two would keep abreast of each other.

In Mr. Li Teng-hui's opinion, a free press is part of national progress. Nevertheless, he thinks that newspapers should do much more to educate readers than to pander to their tastes if they are to become a force for progress. He agrees that newspapers should mirror the dark as well as the bright side of things because that is the only way in which people inside government could understand problems and search for answers and solutions.

In line with this argument and assuming no change in objective conditions, we can expect to see an even more robust cultural and academic flowering in the future, accompanied by a diversification of social activities.

4. Because his political career has been smooth sailing, it is clear to people who have had dealings with him that President Li Teng-hui retains more idealism in him than most political figures.

Idealism usually must be backed up by adequate power if it is to be brought into play.

12581

Poll Indicates Public Support for KMT Reform, Pluralism

*OW141215 Taipei International Service in English
0200 GMT 12 Feb 88*

[Station commentary: "Public Voices Support for KMT Reform"]

[Text] A public opinion survey taken by the CHINA TIMES, one of the two largest daily newspapers on Taiwan, indicates that recent political reforms proposed by the majority party, the Kuomintang, are supported by the majority of people. This survey was also, quote, putting off the proof [as heard] that pluralism is definitely taking roots in Taiwan, unquote.

This survey was taken among 1,100 voting-age adults around the island. The survey found that most people support the KMT reform program, particularly with regard to the proposal aimed at rejuvenating the nation's parliamentary body. On that issue, 38.5 percent of the respondents favored the KMT plan to restructure the parliamentary body gradually; 29 percent said they would like to see the process speeded up, perhaps even with one stroke in all new elections. The rest, nearly 30 percent, either said they were not sure or did not know enough about the issue. A majority of those surveyed favored the majority party's effort to institutionalize self-government on a local level.

Forty-eight percent said they like what they have seen of the KMT efforts so far. The same number of people said they would prefer to see the mayors of the two major municipalities, Taipei and Kaohsiung, directly elected by popular vote. Nineteen percent said they prefer the current system of having the mayors of those cities nominated by the president. As for the governorship of Taiwan, 31 percent said they would like to have direct popular election of the governor, while 36 percent said it would be better to maintain the current nomination system.

Meanwhile, about 46 percent of the respondents said they believe the reform process will pick up momentum under President Li Teng-hui, who assumed office last month upon the death of the late President Chiang Ching-kuo. Most are convinced that democratization will accelerate during his

term. More than 60 percent of the respondents felt the late election of President Li to become acting chairman of the majority party was a wise and appropriate move. Seventy-two percent voiced support for him to become formal party chairman at this July party congress.

Adding a new twist to the survey, the TIMES questioned the respondents if they were native Taiwanese or latecomers from the mainland of China. Eighty-two percent said they were natives while 17 percent described themselves as latecomers to Taiwan. The TIMES survey revealed that most Taiwan natives favor speedier and more comprehensive reform, while most of the so-called mainlanders or latecomers prefer the status quo or very gradual reforms. Nearly all respondents rejected extremely radical changes.

The TIMES survey sent a clear signal to the government and the nation's legislature that people want reform, fast or slow, and in any way they can get it without sacrificing stability. The new respect for pluralism will see that they get it.

Excess Number of Senior Members Said Hindering Institutions

*40050102b Taipei TZULI WANPAO in Chinese
7 Jan 88 p 2*

[Excerpts] Since early last year, DPP [Democratic Progressive Party] members of the Legislative Yuan have repeatedly touched off clashes on the chamber floor over the problem of an aging membership. The upshot was an even more explosive atmosphere in the legislature over the past year. What is more, parliamentary squabbling was perpetuated by National Assembly representatives at the constitutional commemorative meeting and National Assembly annual meeting a few days ago. DPP representatives carried banners that read "Old thieves, get out!" and "Old representatives, get out!" Some went so far as to call the senior members "old thieves" in front of the public. The latter replied in kind, chiding them as "young thieves" and members of the "Taiwan independence movement." There was even talk of taking the DPP to court for insulting them in public.

Just how hold are China's central representatives?

The National Assembly is the highest organ of state power and often claims to be the leader among the three parliamentary institutions. Since it has more members than the other two bodies, naturally it has more senior representatives.

According to the 1987 statistical abstract of the National Assembly, there were 867 senior representatives on the National Assembly as of late November 1987, including 25 in their 90's, 276 in their 80's, and 459 in their 70's. (For details, see Table 1)

However, the directory of the first National Assembly put out by the National Assembly secretariat shows that of the 861 senior representatives in late November 1987, 11 were older than 95 years of age and 30 were between

90 and 94. The disparity between the two sets of statistics indicates that the problem of aging parliamentarians is more serious than official statistics suggest.

Of the 217 senior members of the Legislative Yuan, 14 were older than 90, 42 were between 85 and 89 years of age, 63 were between 80 and 84, and 98 were under 80. (See Table 2 for details)

Now let us look at the Supervisory Yuan. Apart from Wang Suan [3769 1357], who is 100 years old, there are three other members over 90. Among the existing 36 senior members, Chou Pailien [0719 4102 3550] and Tsai Changlin [5591 4545 7792], who were elected in a by-election in 1969, are relatively young. Everybody else is over 70. (For age breakdown, see Table 2.) As members age, more and more will pass away each year. Take the National Assembly, for instance. Since 1954, its members have been passing away at the average rate of 27.3 per year and there signs the trend is accelerating. (See Table 3) If this continues, it is a foregone conclusion that the assembly would find itself in a predicament. Thus any parliamentary reform plan must take into account the fact that time is running out. The passage of time will only complicate, not solve, the problem.

Table 1 Age Distribution of Senior Members of the National Assembly (Note: Based on statistics from the National Assembly secretariat effective late November 1987)

Over 90	80-89	70-79	Under 70
25	276	459	107
Total no. of senior representatives 867			

Table 2 Age Distribution of Senior Members of Legislative and Supervisory Yuan (as of late December 1987)

	Legislative Yuan	Supervisory Yuan
Over 90	14	4
85-89	42	11
80-84	63	12
Under 80	98	9
Total no. of senior members	217	36

Table 3 Number of National Assembly Representatives Who Passed Away

Session	Years	Average no. of rep. who passed away each year
second	1954-1959	14.2
third	1960-1965	20.3
fourth	1966-1971	25.8
fifth	1972-1977	35.8
sixth	1978-1983	40.0
seventh	since 1984	39.0

Labor Unions Seek Cooperation, Mutual Support 40050102a Taipei TZULI WANPAO in Chinese 6 Jan 88 p 2

[Text] As a result of rising consciousness, a succession of labor organizations has appeared all over the province, hoping to pool their forces to fight for their rights and interests. Through the formation of alliances or brotherhoods, they exchange experience in running a labor union and support one another's activities to create an appearance of strength. At present there are already signs of a linkup between northern and southern unions. Outsiders expect them to have a strong influence on Taiwan's union movement.

The Kaohsiung Association of Labor Union Officials is the oldest of such organizations. Back in March and April this year, the officials of several unions in Kaohsiung got together for private discussions and exchanged insights on building up a union. Later they were joined by intellectuals with a zeal for public mass movements and a background in the student movement who introduced them to organizational concepts and the techniques of resistance and struggle. That way the substance of their discussions focused more and more on how to get the labor movement going.

Through word of mouth, an increasing number of labor officials came to attend the meetings while non-union officials gradually withdrew, giving the organization a more homogeneous makeup.

Today the Association of Labor Union Officials has moved away from its early stage of theoretical exploration and entered a period of practical training, with special emphasis on election practices and techniques. The idea is to help labor unions in various industries shake off management and party control.

The "Society for the Promotion of Labor Rights" in the Changhua area differs from other groups in nature. It concentrates on labor services, particularly the development of a second skill for workers.

The founder and leader of the society is Wang Kuo-chang [3769 0248 4545], director of the industrial union of the Taiwan Plastic and Chemical Fiber Company. He believes that union officials must equip themselves with a second skill or take a part-time job. Otherwise they would have nothing to fall back on. This is because in their struggle for members' rights and welfare, some union officials may end up losing their own jobs or their activities may be restricted because of their jobs. Accordingly Wang Kuo-chang proposes that unions start their own businesses or encourage their members to do so.

The Society for the Promotion of Labor Rights currently offers training courses in computer science and auto repair and a labor law seminar. It also organizes social activities for young men and women.

A special feature of the society is that it takes an active part in international labor organizations as a source of support. Some time ago the Taiwan Chemical Fiber Company illegally laid off some workers. The society appealed for help to AFL-CIO in the United States and asked the company to change its mind.

Better known is the Brotherhood, founded by Luo Mei-wen [5012 5619 2429], a worker at the Yuentung Textile and Chemical Fiber Plant. The Brotherhood aims to attract unions as members. To be admitted as member, a union needs the consent of its board of directors or half of the representatives in its general assembly. Thus the membership requirements are quite strict. At present most of the members of the Brotherhood are unions of textile plants making man-made and chemical fiber in the Taochumiao area. These unions have close links with one another. For instance, after the union at Yuentung Textile Plant took the lead in setting up a strike fund, their counterparts at Chungshing and Hualung Companies followed suit. The Brotherhood also sided with the Chilung tally clerks' union and the workers at Chungshing Textile Factory in their disputes with management. Currently deputy chairman of the Labor Party, Luo Mei-wen says that the Brotherhood regards workers nationwide as brothers and that any instance of labor right infringement affects the Brotherhood personally.

Thus the Brotherhood takes the initiative to assist and support any union, regardless of whether it is a member.

The Labor Alliance, which had its beginnings in Taipei County, is still under preparation and has retained Kuo Chi-jen [6753 0679 0088], a lawyer with the Labor Law Support Society, as its legal adviser. Its original objective was to help non-union companies unionize and there were plans to go to these companies when workers arrived for and left work to distribute leaflets encouraging them in their desire and actions to unionize. After deliberations among the organizers, however, there are signs that the alliance may broaden and step up its goals.

Reports suggest that the Labor Alliance would not rule out supporting other unions with "actions." Since its internal organization is not yet in place, what such "actions" will be remain to be determined.

Sources say that apart from the Society for the Promotion of Labor Rights, there have been intensive contacts recently among the other three labor groups mentioned above with an eye toward integration and the formation of a province-wide organization linking the north with the south. Should these groups succeed in their integration effort and continue to expand, the position of the provincial general federation of labor may be threatened.

Table 1 Spontaneous Labor Organizations in the Taiwan Area

Name	Place of Establishment	Principal Founder	Membership (Unions)
Labor Alliance	Taipei County	Ho Chun-liang, director of union at Chunghuo main plant of Hualung Company, and others	17
Brotherhood	Hsinchu	Luo Mei-wen, director of union at Yuentung Textile and Chemical Fiber Factory	7
Society for the Promotion of Labor Rights	Changhua	Wang Kuo-chang, director of union at Taiwan Chemical Fiber Joint Stock Company	500 (people)
Association of Labor Union Officials	Kaohsiung	Yao Jui-hsiang, president of Kaohsiung Officials	19

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Effect of Rise of New Taiwan Dollar on Taiwan's Foreign Trade

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[Article by Ling Li [0407 0536]: "The Appreciation of the New Taiwan Dollar and Taiwan's Foreign Trade"]

[Text] Recently, the New Taiwan Dollar [NT dollar] has risen by NT\$ 0.03 a day, and the currency broke the 29:1 mark against the U.S. dollar 4 December. Taiwan's

domestic newspapers warn that "the market rates posted by foreign exchange banks for the U.S. dollar are unreasonably low," and that "the negative effects of this trend will soon become obvious."

The NT Dollar Has Become One of the World's Strongest Currencies

The NT dollar has appreciated 22.62 percent since the beginning of this year, which rise is just a little lower than that of the yen, which appreciated 22.66 percent, but is higher than rises registered by the Deutsche mark, the South Korean won and the Hong Kong dollar, which climbed 17.71, 8.2 and 0.31 percent, respectively. This clearly indicates that the NT dollar has become one of the world's strongest currencies.

Taiwan's industry was designed to be primarily export-oriented as early as the 1960s, when the island's economy started to take off, and with the support of the United States, Taiwan managed to turn her foreign trade deficit into a surplus. Yet until 2 years ago, the NT dollar was pegged to the U.S. currency and throughout was kept at a rate of about 40:1. During this period the NT dollar was not a very exceptional currency in the world.

By the 1980s, however, due to the rapid growth in Taiwan's foreign trade, that trade accounted for 88 percent of the island's GNP, and the island's foreign exchange reserves mounted rapidly, growing during the mid-80s by \$20-30 billion a year, so that they totaled \$22-plus billion at the end of 1985, \$47 billion at the end of 1986 and, probably, \$75 billion at the end of this year. Such a rapid accumulation of foreign exchange reserves is a rare occurrence in world trade.

Today Taiwan ranks 16th in the world in terms of foreign trade volume. Taiwan earns most of its foreign exchange from the United States, which accounts for one-half of the island's foreign trade. The Taiwan-U.S. trade balance was \$3.4 billion in 1981, \$9.8 billion in 1984 and \$6 billion in 1986. This year, Taiwan is running a \$13.7 billion surplus in its trade with the United States, even though the latter forced the NT dollar to rise steadily and opened Taiwan markets to many American goods.

Under political and economic pressure from the United States, the NT dollar has risen from a stable ratio of 40:1 to the current rate of 29:1 against the U.S. dollar. And newspapers report that the NT dollar will rise to 27:1 by the end of 1988 and will probably hold steady at around 25:1 over within the next few years. Thus international monetary circles have begun to treat the NT dollar as one of the world's strongest currencies.

Taiwan's Industry and Commerce Have Been Dealt Heavier and Heavier Blows

Having a strong currency is by no means a good thing for a region that is primarily dependent on processing and manufacturing for export. Taiwan's strong currency has dealt a heavy blow to Taiwan's exporters.

Taiwan's export industry consists principally of traditional and labor-intensive sectors. And the rise of the NT dollar has caused serious losses in the island's agriculture and textile, shoe and toy industries.

This year, for example, Taiwan enjoyed an excellent harvest of 54 fruit crops but, due to the strong NT dollar, encountered serious impediments in her effort to export that fruit, and even saw her imports of fruit increase. The MING PAO reported that, during the month of September, Taiwan imported 898.2 million metric tons of fruit valued at \$45 million, a rise of more than 50 percent over the same period the previous year. This caused

domestic fruit prices to plummet. For example, tangerines, which previously went for NT\$ 23 a pound, fell to NT\$ 5. Thus fruit growers suffered grievously. "Hard-working peasants," the CHUNG-YANG JIH-PAO lamented, have been dealt a merciless blow."

The Wan Chung Tannery Co is representative of Taiwan's export industry and is one of the island's leading tannery firms. The rise of the NT dollar led to a 30 percent reduction in this company's shoe orders and thus forced the firm to cut its employees from 350 to 250. The Taiwan Area Shoe Industry Union estimates that Taiwan's orders for shoes have fallen by approximately 30 percent this year. Over the past 2 years, 52 shoe manufacturers have been idled due to financial losses and 158 have gone bankrupt.

The head of the operations department of Kuang Nan Enterprises Co, which produces tennis rackets for sale throughout the world, worriedly reported that 25-30 percent of Taiwan's small and medium sporting goods manufacturers will probably go under as a result of the rising NT dollar.

Taiwan's textile industry, which has always exported at very low profit margins, would have had a tough enough time keeping its head above water in its battles with competitors in South Korea, Singapore and Hong Kong. But with the change in foreign exchange rates over the past 2 years, many small and medium textile enterprises have begun showing losses, and now each day a number of small textile firms go under.

A number of measures have been adopted to deal with the problem. Yet the high forward exchange rates, for example, that "have been used to help exporters cope with the pressure caused by the rising NT dollar ... have almost completely been abandoned." (LIEN HO PAO)

To reduce the impact of the rising NT dollar on exporters, Taiwan's "central bank" instructed other banks to sell the forward exchange they had transacted with customers back to the "central bank" at a 10 percent discount. This approach enabled banks, at very little risk to themselves, to give customers favorable prices. Thus many exporters used this channel to undersell in advance their forward exchange and thus avoided the effects of the rising NT dollar. Clearly, Taiwan's small and medium exporters will suffer even more direct blows during the coming year, which is exactly what the NIHON KEIZAI SHIMBUN has said: "The strong NT dollar has dealt a direct blow to Taiwan enterprises."

Diversifying Export Markets

Taiwan's economy grew up through export processing, and small and medium firms, which number 700,000 strong, still constitute the main force of the island's

economy. More than 95 percent of the island's enterprises are small or medium-sized, and these firms account for approximately 72 percent of Taiwan's total export earnings.

Most of the firms engage in labor-intensive manufacturing, are weak technologically, not very competitive, particularly sensitive to changes in foreign exchange rates and will have even greater difficulty bearing up under the losses brought about by the rising NT dollar. To survive, these firms are trying to transform their operations from labor-intensive to high-tech, but this will require a long transitional period. In the meantime, they are trying another approach, which is to diversify their export markets so as to reduce their excessive reliance on the U.S. market.

It is reported that, during the first 10 months of this year, Taiwan's bilateral trade with Europe leaped 65.2 percent over the previous year, reaching \$10.5 billion. Taiwan's largest trade partners in Europe are the FRG, the UK and the Netherlands, and the island recently has been trying to strengthen its trade relations with the socialist countries of Eastern Europe.

Taiwan's principal exports to Europe are home appliances, textiles, rubber products and plastics, and her major imports from that region are chemicals and machinery.

To open markets in Europe, Taiwan has continuously exchanged trade delegations with European nations and encouraged those countries to open offices in Taiwan. Currently, there are 12 European bank and 11 European trade offices in Taipei. Taiwan authorities have recently announced relaxation of restrictions on trade with Eastern European nations and have permitted Taiwan firms to trade directly with the GDR, Poland, Czechoslovakia, Hungary, Yugoslavia, Bulgaria and Romania. These efforts demonstrate Taiwan's determination to diversify her export markets.

Meanwhile, Taiwan has also been attentive to her neighboring region—Southeast Asia, whose export markets merit Taiwan's careful attention. Taiwan's KUNG-SHANG SHIH-PAO has disclosed that the island's authorities "place great emphasis on the entrepot trade conducted through Hong Kong, Macao and Singapore as a means of diversifying markets."

In essence, Taiwan stresses the entrepot trade conducted through Hong Kong and Macao in order to increase her trade with the Chinese mainland. The FAR EASTERN ECONOMIC REVIEW reports that "the mainland has become one of the 10 largest markets for Taiwan goods."

During the first 9 months of this year, Taiwan transshipped more than HK\$ 6.6 billion in goods to the mainland, an increase of 53 percent over the same period last year, and the mainland transshipped HK\$ 1.12 billion worth of goods to Taiwan via Hong Kong. Western analysts believe that "if the two sides were allowed to conduct direct trade, the mainland would become one of the top four markets for Taiwan goods."

Southeast Asia is located near Taiwan, possesses abundant natural resources, raw materials and cheap labor; the economies of the region are not fully developed; and the region is populated with many overseas Chinese, has many other advantages and thus has gradually become a top priority in the efforts of Taiwan firms to invest overseas. To diversify export markets, Taiwan authorities have encouraged Taiwan firms to invest abroad, especially in Southeast Asia, for production for sale in local, Southeast Asian markets, or for export to Europe or the Americas.

Thailand has become Taiwan firms' main target of investment in Southeast Asia. Thai labor is cheaper than that in neighboring nations and regions, and Thailand is Buddhist, as are Chinese, so the relations between the Thai and Chinese peoples are friendly. In addition, most Chinese residing in Thailand are from the Chaoshou-Shantou region of China, so they are linguistically and culturally more akin to Taiwanese. Thus Taiwan firms have begun to flood into Thailand.

Officials of the Thai Investment Bureau have stated, "(Taiwan) firms are interested in investing in paper, toy, textile and other industries in Thailand, and have already begun activities in these areas." One overseas Chinese newspaper reported that Taiwan firms received approval for 49 investment projects during the first half of 1987, a 2-fold increase over the same period the previous year, and that these projects would involve investment of \$235 million, a rise of approximately 8-fold over the same period the previous year.

Nevertheless, Japan, Hong Kong, South Korea and Singapore, which also belong to this region, are competitors to Taiwan, so it will by no means be easy for Taiwan to get a foothold in the region. Similarly, these nations and regions have also been affected by protectionism in the United States, and they too would like to expand their trade with Europe and other regions, so Taiwan faces competition at every turn. Thus the questions of how to check Taiwan's growing foreign exchange reserves and to reduce the impact of the rising NT dollar on the island's export-led industry will be major headaches for the island's leaders during the coming year.

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